

SMALL BUSINESS
ADVISORY COMMITTEE
ON VETERANS BUSINESS AFFAIRS

Wednesday, January 16, 2008

9:08 a.m.

Small Business Administration
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1 P R O C E E D I N G S

2 (9:08 a.m.)

3 MR. CELLI: Good morning. It's January 16,
4 2008. Happy New Year. We're going to start our first
5 meeting of the year for the SBA Advisory Committee on
6 Veterans Business Affairs.

7 We'll go around the room, starting with
8 Mr. Mancini, take a quick roll call.

9 MR. MANCINI: Here.

10 MR. GROSS: Mark Gross. Here.

11 MR. DeMOLET: Dennis DeMolet. Here.

12 MR. BEDNARCZYK: Tom Bednarczyk. Here.

13 MR. ELMORE: Bill Elmore from SBA.

14 MR. CELLI: Louis Celli. Here.

15 MR. ADAMS: Paul Adams. Here.

16 MR. SHARPE: George Sharpe. Here.

17 MR. VARGAS: Felix Vargas. Here.

18 MR. MILLER: Ron Miller. Here.

19 MR. CELLI: All right. Let's, real quick,
20 what do you say we cover the agenda, and after we get
21 started on that, Phillip can check on the phone so that
22 we can have your guest call in about the Patriot

1 Express. Right?

2 Our last meeting, Bill was on travel, so it
3 made it a little bit difficult to schedule for the new
4 year, whereas that was the last meeting of 2007, and we
5 hadn't really ironed out whether we were even going to
6 be able to show up in 2008.

7 Historically, we get reauthorized piecemeal
8 year by year. We can talk more about that later as we
9 get into the meeting. But I think one of the first
10 orders of business that we should look at is our
11 existence for 2008.

12 If I understand correctly, SBA submitted a
13 legal opinion that we fall under the continuing
14 resolution. And at what point could that no longer be
15 valid? So in other words, what I'd like to do is be
16 able to say, let's schedule the next -- you know, our
17 next meetings through 2008, which I think we should do
18 anyway, even in the off chance that, for whatever
19 reason, the SBA advisory committee no longer exists.
20 And then --

21 MR. ELMORE: My understanding is that the
22 committee is going through 2008 because the agency, I

1 believe, is good through 2008. But I haven't gotten
2 any sort of opinion from the attorneys or from our
3 congressional office, for that matter.

4 But generally if there's something other than
5 that, they would inform me. So I just simply haven't
6 tried to secure that. So I'm operating under the
7 assumption that we're good to go for the rest of this
8 year.

9 MR. CELLI: Okay. We're meeting for -- let's
10 clear up the order situation. We're technically
11 meeting here today for one day. When we all got the
12 orders, it talked about travel day yesterday and travel
13 day day after tomorrow, which kind of allowed for two
14 days. And then Cheryl sent us an e-mail saying the
15 meeting day is only one day.

16 So technically, we're meeting today. And the
17 future meetings, the next three meetings, will we be
18 authorized one day or two days?

19 MR. ELMORE: Well, every committee in the
20 agency meets for one day when they meet. And I've been
21 trying to push back the one day because that's just
22 structurally how all of our other committees work. We

1 originally go on to two-day meetings early on when the
2 committee was first established, Dennis, when you were
3 vice chair, I think, and then chair, because of the
4 time frames involved in getting the committee
5 structurally up and going, going through the whole
6 process with the -- the federal advisory committee
7 process, GSA and everybody else.

8 So that's why we went to two days, simply to
9 give the committee enough time to conduct its work.

10 MR. CELLI: I think that's the understanding
11 that we're at now, is that it's really difficult, you
12 know, to kind of all shuttle in here on one day and get
13 everything done. And if we had the luxury and freedom
14 of having a two-day meeting, then we would be able
15 really get our working groups together on the second
16 day while conducting kind of the public meeting on the
17 first day.

18 MR. ADAMS: Mr. Chairman, Paul Adams. In our
19 report for last year, we put in it a proposed agenda
20 for two-day meetings to show what we would do for the
21 two days because it really is almost impossible to do
22 the sort of things we want to do in a one-day

1 meeting -- getting the information, getting people in,
2 talking about it and processing it and making it
3 worthwhile.

4 And I know today's -- the agenda was that you
5 were going to bring in agencies to talk to them about
6 what they were doing. We didn't have enough advance
7 notice of this date to even invite anybody in for that.
8 And we really do need to know when we're meeting so
9 that we can invite agencies, and then how many days it
10 is so we can plan some kind of a firm agenda.

11 MR. ELMORE: Yes. I think the meeting dates
12 is easier. And I'll get back to your point in a
13 minute. Part of it's driven by my budget, and part of
14 it was I didn't know what my budget was literally until
15 last week.

16 Well, now I know what my budget is, so I know
17 how much I've got on what's called my operations side,
18 and I know how much I've got on what's called my
19 outreach side. The outreach is the funds that comes
20 directly from Congress for the five centers that we
21 fund. The operations side is everything else,
22 including this committee.

1 Now, I didn't get a lot of extra, but I've got
2 enough that I can support this committee. I can do the
3 district office outreach. I can do the reserve
4 environment. I can do the travel that I do and that
5 increasingly Billy Jenkins does on procurement.

6 So back to your point. I've probably been as
7 much as anybody inside the pressure towards one day
8 simply because that jibes with everything else that
9 I've ever done in this town, including the two
10 committee organizations that I represent the
11 administrator on. The DOL committee I sit on meets for
12 one day, but we usually do a dinner the night before.

13 MR. CELLI: Well, and if I may, the DOL
14 committee and the other federal committees are
15 primarily comprised of federal officials from within
16 the Beltway.

17 MR. ELMORE: Actually, DOL is not. But
18 anyway, back to the point. I'm more flexible about
19 this than I make it sound like. And now that I know
20 what my budget is, it's simply a matter of paying for
21 hotels for an extra night.

22 MR. CELLI: Well, and I guess we could -- I

1 mean, how many people here require a hotel room to
2 begin with? Raise your hand.

3 (A show of hands.)

4 MR. CELLI: Okay. So it's about half.

5 MR. ELMORE: But regardless of that price, now
6 that I've got a budget -- see, I didn't have a budget
7 before. I didn't have an internal budget and I didn't
8 have my five-center budget. Now that I've got a
9 budget, I can budget if we need to go to two-day
10 meetings. And if that's the consensus you guys reach
11 and you make that recommendation to me, I think I'll
12 probably go with that.

13 I just simply -- my experience early on was
14 that because we started with two-day meetings, I felt a
15 lot of pressure that I thought was inappropriate from
16 some of the committee members to continue to do two-day
17 meetings. And I wasn't sure it was that productive.

18 But this committee's not that old committee,
19 and I think you guys are more productive.

20 MR. CELLI: Okay. Fair enough.

21 MR. ELMORE: So I'm open to that. And what I
22 would hope we do today is, if we have an array, set

1 those dates. Set them as firmly as we can and --

2 MR. ADAMS: We had proposed dates. And what I
3 would ask is we can come up with dates, but that simply
4 put, what always ends up happening is we don't know
5 when we can schedule a conference room.

6 MR. ELMORE: Right.

7 MR. ADAMS: So we end up -- even if we set a
8 date, we don't find out till it's too late, what we'd
9 like to be able to do is pick dates and have somebody
10 come back and say, yes. Those will be the dates,
11 because we want to invite agencies in and we can't send
12 out -- we actually communicated dates in to the agency
13 back in October.

14 MR. ELMORE: Right.

15 MR. ADAMS: And I know there was a budget
16 issue, but we're still sitting looking at when can we
17 get dates so that we can invite somebody in so we can
18 do -- and I think you've seen in our report, there were
19 specific things we want to try to do this year on a
20 two-day agenda that require us to be able to plan out
21 and invite agencies.

22 MR. CELLI: And from a monetary point of view,

1 getting the letters of invite out, if we know the dates
2 a year in advance, we can go ahead and schedule our own
3 travel and get tickets at probably a third of what I
4 had to pay this time. And I was afraid to order them
5 earlier because I ordered tickets for the first meeting
6 that didn't happen.

7 MR. ELMORE: Yes. Right.

8 MR. CELLI: So, I mean, we can save a lot of
9 money if we get those letters of invite out at least 30
10 days in advance.

11 MR. ELMORE: Back to your report. If you guys
12 tell me today, here's the dates we want, now, I'm
13 always subject to getting booted out of this room. And
14 that's the trouble we have internally because the
15 administrator's office can bump everybody out of these
16 rooms.

17 This afternoon there's what's called a
18 management board meeting. It's going to be over there.
19 And I didn't find out about that meeting till
20 yesterday. And I said, oh, well, does this mean that
21 we're going to get booted out of here? Apparently not.
22 Apparently they think they can squeeze it into the one

1 side.

2 But that's what tends to happen. It's not
3 that we sit down and go, well, let's make sure that the
4 meeting gets disrupted because somebody else comes
5 along and grabs it. But there's a hierarchical process
6 that we don't get to manage.

7 So back to the point. Based on the report or
8 however you want to approach it, if we can come up with
9 what you think are the dates of the next three
10 meetings, then we'll go ahead and reserve the room now.
11 And we'll go ahead and pencil those in on our calendar,
12 and I'll push Cheryl to go ahead and try to accelerate
13 some of the other stuff about the letters for travel
14 and those kinds of things.

15 MR. CELLI: Is it -- I understood -- because
16 last year we did this early on and it worked really
17 well. We had all three dates set. Is it possible for
18 her to go see the scheduler while we're here today
19 and --

20 MR. ELMORE: Yes. She can go see -- she can
21 go look now and see what's on the schedule.

22 MR. CELLI: Because we do have those dates.

1 MR. ADAMS: I was looking and I don't have any
2 of the dates.

3 MR. BEDNARCZYK: I have the dates right here.

4 MR. ADAMS: Do you? Okay.

5 MR. BEDNARCZYK: Do you want to go over them
6 quick?

7 MR. ELMORE: If you would.

8 MR. BEDNARCZYK: The next schedule we had was
9 March 10th, 11th, 12th, and 13th, with the 11th and
10 12th being the meeting dates; and then June 16, 17, 18,
11 and 19, with 17 and 18 being the meeting dates.

12 MR. MILLER: Say those again.

13 MR. BEDNARCZYK: March 10, 11, 12, 13.
14 June 16, 17, 18, 19. And then we had selected
15 September 15, 16, 17, and 18 for -- 16 and 17 for the
16 final report.

17 MR. CELLI: And then we also suggested -- for
18 each meeting, we also had backup dates. Remember? I
19 didn't write those down.

20 MR. ELMORE: Well, when Cheryl gets back down,
21 I'll have her recheck the schedule and make sure of
22 them.

1 MR. GROSS: I know that March date is the DOD
2 mentor/protege conference.

3 MR. DeMOLET: Yes, it is. The big one.

4 MR. GROSS: The big one.

5 MR. CELLI: Well, do we have another date we
6 want to look at? If that's going to be a conflict for
7 a lot of people --

8 MR. GROSS: Yes. That's not only for
9 existing, but it's for potential.

10 MR. MILLER: The March dates are not good for
11 me, either.

12 MR. CELLI: So do you want to look at the --

13 MR. DeMOLET: The week after that.

14 MR. CELLI: The week after?

15 MR. DeMOLET: Yes.

16 MR. CELLI: No. I can't do it the week after.

17 MR. DeMOLET: You can't do it the week after?

18 MR. CELLI: Because that is the Legion
19 conference.

20 MR. ADAMS: The Legion conference is early in
21 the first segment or the --

22 MR. CELLI: Right. But if we go the week

1 after -- oh, March 11th and 12th. Well, the 17th is
2 St. Patrick's Day, so that's fine with me. So we're
3 looking at March 18th and 19th. Is that right?

4 MR. MILLER: Which would be 17 through 20.

5 MR. CELLI: Say again?

6 MR. MILLER: Which would be 17 through 20.

7 MR. CELLI: Seventeen through 20. Right.

8 MR. ELMORE: Well, when Cheryl gets back down
9 here, I'll have her go check the schedule and see if
10 there's anything on these that would preclude this.

11 MR. CELLI: Right. That's 18 and 19.

12 MR. ELMORE: Yes. Change in that one -- that
13 would preclude this.

14 MR. CELLI: Okay. Cool.

15 MR. ELMORE: And I'll go ahead and support the
16 two days now that I know what the budget is. The issue
17 for me is always what I spend here, I don't spend
18 there. That's just the mix you go through.

19 MR. CELLI: All right. Are we all good on
20 dates?

21 MR. ELMORE: Okay. So I'll have her check
22 that and make sure that at least tentatively, that

1 those look good as far as use of the room.

2 MR. CELLI: And the -- well, we can work out
3 the structure of the days later.

4 The other thing is the permanent existence of
5 the committee. There is, as many or maybe all of you
6 very well know, that there's always been a lot of
7 legislation floating around, at least ever since I've
8 been a part of this committee, that has always talked
9 about some form of extension of the committee.
10 Predominantly, it's been a permanent extension.

11 If, as I understand it, the Senate bill which
12 has been floating around in the Senate Small Business
13 Committee for about a year and a half now, 1784, goes
14 to the floor this week, which is I guess what they're
15 trying to push for, in that piece of legislation there
16 is, to the best of my knowledge, an uncontested entry
17 that talks about permanent extension of the advisory
18 committee, which makes it permanent under the Small
19 Business Administration and under the office.

20 So it would be what we do now pretty much
21 forever. I mean, if that's the case, it's just going
22 to make our lives so much easier so that every January,

1 we're not going through this same limbo state of what
2 we're going to do.

3 The other thing is, there are, as far as I'm
4 aware, at least four or five pending applications for
5 additional members to be nominated for this committee.
6 And I found out yesterday that Matt Teague no longer is
7 in the position that he used to occupy, and that
8 position has not been backfilled yet.

9 So those of us who remember before Matt
10 Teague, whenever there was an interim person, it was
11 very difficult to get those applications processed,
12 which I'm not sure is going to be the same issue now.
13 It's not controlled by your office. Right?

14 MR. ELMORE: No.

15 MR. CELLI: It's controlled directly by the
16 administrator's office?

17 MR. ELMORE: Yes. It's in the administrator's
18 office. Matt Teague was the White House liaison. So
19 what we don't have yet, at least that I know of, is a
20 White House liaison. And Matt ended up, I think, the
21 deputy chief of staff for a while. And I honestly
22 don't know where he went. I think he may have gone

1 over to the White House himself, but I'm just not sure.

2 MR. CELLI: All right. How can we get a
3 handle on that?

4 MR. ELMORE: Well, why don't you just do me an
5 e-mail and I will -- I'll give it to my new chief of
6 staff and say, hey, I want to make sure that stuff
7 doesn't fall off the table as far as these people going
8 through clearance for appointment to this committee.

9 MR. CELLI: Right. How many committees does
10 the SBA oversee?

11 MR. ELMORE: I honestly don't know because I
12 haven't sat down and tried to keep track of them. I
13 know SBDC has one. There's the National Advisory
14 Committee, which is even in more limbo than this. I
15 think there has been a committee created for the
16 administrator of some of our district directors, and I
17 think there is a Lender Oversight Committee that's made
18 up of some people from the lending community.

19 MR. CELLI: And there's women.

20 MR. ELMORE: Yes. Well, the National Women's
21 Business Council is hosted by SBA, but we don't oversee
22 it. They're typically funded through our budget. So

1 it gets a little less clear. They're kind of like the
2 National Vets Business Corporation.

3 MR. CELLI: But who makes recommendations for
4 their committee? I mean, does that go through -- would
5 that have come under Matt Teague as well?

6 MR. ELMORE: I honestly don't know.

7 MR. CELLI: So what I'm trying to get at is:
8 We're not the only ones in this boat?

9 MR. ELMORE: No. You're right. There's a
10 committee management officer, which is what Matt was.
11 And that committee management officer is responsible
12 for all the committees that the agency has, which I
13 think is four or five.

14 MR. DeMOLET: Bill, what was Donna's role?

15 MR. ELMORE: Well, Donna was basically an
16 assistant to the chief of staff and an assistant to
17 Matt as the White House liaison. And she was doing a
18 lot of the functional stuff. Now, I was told
19 yesterday -- and I don't like getting into names on the
20 record -- but I understand that she's up for some sort
21 of a promotion. What that promotion is to, I honestly
22 don't know.

1 MR. DeMOLET: From an operational capacity?

2 MR. ELMORE: So she's still -- that woman you
3 mentioned is still on the seventh floor and still
4 operating and working in the administrator's office.
5 What role she's moving to, I just am not clear.

6 There's been a couple of changes. We have a new chief
7 of staff coming on board.

8 MR. DeMOLET: Yes.

9 MR. ELMORE: Another woman who was a special
10 assistant has gone up to take over government
11 contracting and business development. She's a former
12 deputy chief of staff. And my guess is there may be
13 some other changes as well. We just don't know. But
14 with the new chief of staff coming on board, we're all
15 kind of anticipating some additional moves.

16 MR. CELLI: Well, this is certainly one of the
17 best attended meetings we've had in quite a while,
18 which is good, because then we get the input from
19 everybody. We'll just have to follow up to try to get
20 the --

21 MR. ELMORE: So you're going to do me an
22 e-mail.

1 MR. CELLI: Yes.

2 MR. ELMORE: Just specifically about that.

3 And then as I get the answer, I'll shoot it back to
4 you, and then you go ahead and send it out to your
5 board if that's what you choose to do.

6 MR. CELLI: Yes. And does anybody here,
7 besides myself -- I know that I have four or five
8 nominations for members of this committee. If you have
9 nominations, why don't you send them to me, and in the
10 e-mail I send to Bill, I will send copies of all of
11 those nomination packets and their resumes.

12 MR. ELMORE: There was three -- just as an
13 aside, I was in Chicago Friday and Saturday for what is
14 a new national organization called Student Veterans of
15 America. And it was representatives from about 25
16 different campuses, primarily Iraqi and Afghani vets
17 who have come back and gone to college.

18 And three of those young men at that meeting
19 indicated some interest in being considered for this
20 committee. One of them Lou had already chatted with
21 before, a young guy from California; a guy from
22 Michigan and a guy from South Dakota.

1 So I did an e-mail out to two of the three I
2 had e-mail addresses on two days ago and said, let me
3 know if you're interested in being considered and then
4 I'll have Cheryl contact you. And I gave the message
5 to Cheryl. And she's now in communication with all
6 three of those guys to see if they want to be
7 considered for the committee.

8 So that's the only ones I'm aware of other
9 than what was already in the --

10 MR. CELLI: Off the top of my head, I can
11 think of five that we have kind of in the chute. Does
12 anybody here have anybody that they've nominated that I
13 don't know about? So at a minimum, we have five.
14 Right now -- and we have a full committee. So it's
15 one, two, three, four --

16 MR. GROSS: Did I ever nominate Dawn Halfacre?

17 MR. CELLI: You did, but she's not going to
18 make it. She declined, as a matter of fact, to the
19 best of my knowledge.

20 MR. GROSS: Did she? Wow.

21 MR. CELLI: So there's nine. We're authorized
22 15. So the five that I can think of, if we get four of

1 those, we kind of need two more.

2 MR. BEDNARCZYK: Is this the committee?

3 MR. CELLI: As far as I know.

4 MR. BEDNARCZYK: Like the general is no longer
5 on the committee?

6 MR. CELLI: Correct. She opted out because of
7 scheduling and time and --

8 MR. ELMORE: Right. I think she had some
9 overseas commitments as well, as I recall.

10 MR. GROSS: Oh, the gal that I had --

11 MR. ELMORE: Yes. There was a woman who had
12 attended one meeting.

13 MR. GROSS: I recommended her.

14 MR. ELMORE: Oh, okay. Yes.

15 MR. GROSS: A two-star. She dropped out? I'm
16 getting a complex here. Every time I refer anybody --

17 MR. ELMORE: I haven't talked to Dawn about
18 that. I didn't know that she'd withdrawn her name.

19 MR. GROSS: I didn't know, either.

20 MR. ELMORE: I did talk to her about the Army
21 thing, and as far as I know, that they followed up with
22 her. And I believe she's in that mix.

1 MR. GROSS: Well, which one?

2 MR. ELMORE: The Army manages that program.

3 We'll talk to that later.

4 MR. GROSS: I'm not familiar with it.

5 MR. ELMORE: Yes. I'll wait till we get to my
6 time.

7 MR. GROSS: I helped her with financing with
8 Crestmark Bank down in Richmond.

9 MR. CELLI: All right. That's not that
10 program, is it? Oh, okay. All right.

11 What Paul and I were just talking about was
12 the schedule, which we can all talk about right now.
13 And that is, we want to talk about the structure of the
14 oversight panel, which we didn't get to do this time
15 basically because we weren't sure if we were going to
16 meet and we weren't sure for how many days we were
17 going to meet.

18 And the one-day meeting doesn't really allow
19 for the type of oversight panels that we had planned
20 on. So now that we know that we're going to two-day
21 meetings, we can start to plan for these oversight
22 panels.

1 And Paul, you want to --

2 MR. ADAMS: Well, what I was going to propose
3 for an agenda, based on what we had now, is we have
4 recurring reports from the SBA in the afternoon. And I
5 thought, Bill, if we could have those moved up to this
6 morning, if that's possible, because there would be the
7 most amount of flexibility there if there's anything to
8 report. Then we could be talking about our committee
9 oversight discussion and what it is that we're going to
10 do.

11 After lunch, do we still have somebody, Felix,
12 from TVC coming?

13 MR. VARGAS: That's correct.

14 MR. ADAMS: Okay. They're coming. We do have
15 Gail Wagner from the VA going to come at 1330. And we
16 don't, to my knowledge, have a DOD invitee, but we can
17 talk about a topic on DOD. But if we move the
18 recurring reports up to this morning, we could do our
19 internal discussions prior to the public comment
20 period.

21 MR. ELMORE: Mr. Chairman, I can move me up
22 easily. I'll have to check with Billy; he may have a

1 couple of appointments. I just -- because he was out
2 yesterday, I think, Dennis, with you. So I'm not sure.
3 I think he had two other appointments today.

4 MR. DeMOLET: Yes. He's got one of them.

5 MR. ELMORE: So I'll see what his time frame
6 is. Advocacy I don't think I can move. We've got the
7 chief economist. But by moving me and/or Billy out of
8 that time slot, it helps advocacy because they've been
9 bugging me, saying they need at least a half hour.

10 So depending on how you want to do this, if
11 you want me to go try to catch up with Billy now. Or
12 Cheryl, if you can go check with Billy and see if he's
13 got some time this morning when he can come down and
14 make a presentation about his activities and the whole
15 procurement program. And the sooner the better, as far
16 as I'm concerned.

17 MR. CELLI: And advocacy, that's going to be
18 an excellent presentation because if you don't know
19 already, advocacy released a report last month that
20 spoke specifically to veterans in business, to small
21 businesses across America, and how one of the primary
22 indicators of a successful small business owner is now

1 military service. And I'm sure he'll bring copies of
2 that report as well.

3 MR. ELMORE: Yes. Yes, he's going to. So
4 that will help on that front.

5 MR. CELLI: Do we know who from TVC is coming?

6 MR. VARGAS: I believe in the e-mail traffic,
7 we saw the name John Mingey.

8 MR. CELLI: John Mingey. Okay. Or Jim
9 Mingey. Jim. I wasn't sure --

10 MR. VARGAS: Walt Blackwell, my understanding
11 is Walt Blackwell will also be here.

12 MR. ELMORE: Advocacy will be here, I believe,
13 at 12:00. I mean, if you want, I can go up and check
14 with them and see if they could move that up a little
15 earlier.

16 MR. CELLI: That's fine.

17 MR. ELMORE: Since we're getting the chief
18 economist, his schedule is usually pretty tight.

19 MR. CELLI: Okay. Well, I wanted to talk
20 about conducting the oversight panels, too. So we can
21 either do that --

22 MR. BEDNARCZYK: I just called Dennis in

1 Connecticut and told him that we'd get hold of him as
2 soon as we get -- I asked Cheryl about the room across
3 the way because you hold conferences there. And it
4 probably has a speakerphone. And we could just go
5 across there to do it. We probably wouldn't be on the
6 official record, but maybe we could come back and then
7 paraphrase what we do.

8 But Dennis's schedule is that after lunch, he
9 has a series of meetings. So it would be nice to try
10 to do this. And I know you're not -- it doesn't look
11 like anybody's being successful in getting a
12 speakerphone for this room.

13 MR. CELLI: Let's go off the record. We're
14 going to take a break, go off the record.

15 (A brief recess was taken.)

16 MR. CELLI: We're back on the record.

17 MR. BROWN: VTC. This is Dennis Brown.

18 MR. BEDNARCZYK: Hey, Dennis, this is Tom.

19 MR. BROWN: Hi, Tom. How are you?

20 MR. BEDNARCZYK: Good. We've got the SBA
21 Advisory Committee for Veterans Business Affairs here,
22 and you're going to be on record.

1 MR. BROWN: Okay.

2 MR. BEDNARCZYK: Just as a -- there are nine
3 members sitting here. I don't know if they want to --
4 do you want to go around and introduce yourselves to
5 Dennis?

6 MR. MANCINI: Hi, Dennis. My name is Frank
7 Mancini from Los Angeles, California.

8 MR. BROWN: How are you?

9 MR. MANCINI: I'm okay. And you?

10 MR. BROWN: Good.

11 MR. GROSS: Dennis Mark Gross from Raleigh,
12 North Carolina.

13 MR. BROWN: Okay.

14 MR. DeMOLET: Dennis DeMolet from Dayton,
15 Ohio.

16 MR. BROWN: Oh, my old haunt. My brother
17 lives in Dayton.

18 MR. DeMOLET: Oh, good. Thank you for sharing
19 that.

20 MR. CELLI: Good morning, Dennis. My name is
21 Louis Celli. I'm the committee chair. I'd like to
22 thank you for calling in and volunteering your time to

1 share your experiences with us this morning.

2 MR. ADAMS: Paul Adams from Henderson. Good
3 morning.

4 MR. BROWN: Good morning, Paul. Good morning,
5 Louis.

6 MR. VARGAS: Felix Vargas from Pasco,
7 Washington.

8 MR. BROWN: What a crew.

9 MR. MILLER: Ron Miller, Jonesboro, Arkansas.

10 MR. BROWN: Hi, Ron.

11 MR. CELLI: And that's it.

12 MR. BEDNARCZYK: Let me first introduce
13 Dennis. Dennis is in my neck of the woods, in
14 Connecticut. He's with the Connecticut Committee
15 Investment Corporation. The corporation is a nonprofit
16 economic development lender for small businesses within
17 the state of Connecticut. And particularly, Dennis
18 operates out of the New Haven County area.

19 And what they do is they give small business
20 access to capital that may not be available elsewhere,
21 and they participate in the SBA programs, the 504 and
22 the micro-loan program. They're a priority certified

1 development corporation for the 504 program. So Dennis
2 very familiar --

3 MR. BEDNARCZYK: Are you there?

4 MR. CELLI: Still here.

5 MR. BROWN: Okay. I thought somebody hung up
6 there.

7 MR. BEDNARCZYK: And Dennis is very familiar
8 with the SBA loan programs.

9 I've known Dennis for about three years with
10 some of the veteran activity that goes on in the New
11 Haven County area. And I passed out, Dennis, to the
12 group the e-mail that you sent me on November 9th after
13 we had met up with each other and you had described
14 some of the issues. So they've had a chance to look at
15 your e-mail.

16 So I'll turn the podium, so to speak, over to
17 you, and maybe you could share with them some of the
18 boots-on-the-ground experience with the Patriot loan
19 and to make the points that you made to me in our
20 November meeting.

21 MR. BROWN: Okay. You have my name for the
22 record? You have everything for the record that you

1 need?

2 MR. CELLI: Yes, we do.

3 MR. BROWN: Okay. I work to try to get people
4 to get into business any way they can, whether it's
5 through the micro-loan program or whether it's through
6 other programs in the state. I work a lot with the
7 veterans. I work a lot with disabled vets.

8 One of the things when the Patriot loan
9 program came on board, we tried to distinguish it from
10 regular loan programs that were out there. And it's
11 here that we're having a little bit of a difficulty
12 because bankers tend to go with what they know, which
13 is the 7(a) program. And if people qualify for 7(a),
14 we can't even identify them at this point as vets.

15 MR. CELLI: You mean through the 7(a) program?

16 MR. BROWN: I'm sorry. I thought somebody was
17 talking back there.

18 MR. CELLI: No, no, no. Be my guest.

19 MR. BROWN: Okay. So the 7(a) program is a
20 viable program, but the Patriot loan is not a 7(a)
21 program. It's meant to distinguish vets. I have some
22 credit issues coming out of this program because I have

1 veterans coming back off two or three tours, and their
2 credit has suffered, which means they typically don't
3 qualify for a 7(a) program, which means they don't
4 qualify for a Patriot loan program.

5 And I can heal their credit, but I need time,
6 but I need to get them working when they come back.
7 Some of them have lost their businesses. Some of them
8 are looking to start their businesses. I can't get
9 them qualified into those programs because -- and I
10 need to be careful how I state this because it's a
11 credit enhancement. Typically, that's what the SBA is.

12 I'm talking about we need to deal in some
13 credit numbers, in other words, the FICA scores. Banks
14 are FICA lenders, which is they go by credit score and
15 qualify people off of that credit score. So right now
16 I'm having trouble getting all but one bank to fully
17 participate in the Patriot loan program because I don't
18 think they have enough training or background.

19 Also, the second piece of this puzzle is the
20 fact that the fee coverage that is allowable under this
21 program is very high. So the bank that is doing a lot
22 of Patriot loans has dropped those fees, all but one,

1 to get people involved and to get them in. Their
2 thinking is because they are vets, we need to pay them
3 back the same way they paid for us.

4 And that's exactly how we need to modify the
5 program to make it a little more versatile in bank
6 terms. It's great that we have this program, but if we
7 can't get the banks to distinguish it, we have a lot of
8 vets that fall just underneath qualifying for that
9 because they have taken the credit hit coming back.

10 In a nutshell, that's how I look at the
11 banking situation. We have the program. We need to
12 distinguish it. We have the SBA guarantee. It goes up
13 very nicely. But what it does do is it actually pushes
14 people to go to the 7(a) program because it's a lot
15 easier for the banks because that's what they know.

16 And consequently now, I get a lot of that
17 coming back. I have banks turning my vets over to
18 mortgage brokers to get them money, which is the last
19 place I want to be able to send them.

20 MR. CELLI: Dennis, thank you very much. This
21 is Louis. I have just a few quick observations.

22 MR. BROWN: Okay.

1 MR. CELLI: And make no mistake about it, I'm
2 not here to defend or crush the Patriot Express. I'll
3 just tell you what I do know about it based on the
4 briefings that we've been in and based on the
5 interaction we've had with the SBA regarding this when
6 it first came out.

7 The fact that most bankers don't know about it
8 is kind of surprising because the Patriot Express is
9 probably one of the few programs in recent history that
10 they have really made a concerted effort to get a good
11 media blitz out on. And I know that for a couple of
12 days, it was in the papers quite a bit regarding the
13 Patriot Express.

14 Now, I'm not sure about your specific
15 geographic area, and maybe the SBA up in that area
16 didn't do a good job about getting the word out to the
17 people. But in some of the other areas, I know that it
18 was very well publicized.

19 MR. BROWN: Can I add to that?

20 MR. CELLI: Sure.

21 MR. BROWN: The people know about the Patriot
22 loan. That's what's putting us into this. The

1 training piece comes back from the banks. So it is
2 actually to have the SBA work closer with the banks to
3 say, this is a veteran program, and this is why we're
4 doing it, and this is what we can do to help them.

5 MR. CELLI: Right. The other thing was -- I'm
6 sorry. Go ahead.

7 MR. ADAMS: Dennis, this is Paul Adams. If I
8 understand you right, then, the SBA did a good job of
9 getting the word to the veterans, but has done a poor
10 job of getting the specifics to the banks.

11 MR. BROWN: In my opinion, that is absolutely
12 correct. To get them to participate in a fuller -- as
13 opposed to this very high credit 7(a) look that they
14 typically get.

15 MR. CELLI: Right. And the Patriot Express
16 has been out for about, what, six, eight months now?

17 MR. BROWN: Since last June, I believe.

18 MR. CELLI: Right. The other thing is you
19 talked about the credit issues, and I think it was just
20 serendipitous timing that the Patriot Express came out
21 really about the same time we were talking about
22 returning veterans. And there was a lot of emphasis

1 being looked at with regard to veteran business owners,
2 Guard and Reserve members who had businesses and lost
3 them.

4 And the truth is that the Patriot Express was
5 never intended to be a vehicle to address those issues
6 and needs. We understand that those are definitely the
7 issues and needs that we need to address, and in our
8 reports and in our research, those are the things that
9 we're looking at now.

10 But you're right, the Patriot Express wasn't
11 designed to address those credit issues with the
12 diminished credit capabilities of Guard and Reserve
13 members who have suffered business losses due to
14 deployment.

15 So I understand why you're frustrated in
16 seeing those issues. But just know that that's not
17 what the Patriot Express was designed to do. And
18 possibly, had they known that that was going to be an
19 issue, they could have built that in. But the Patriot
20 Express was in development and rolled out after they
21 realized they were going to have that much more of an
22 issue.

1 MR. BROWN: The problem with that is if they
2 make it look like a 7(a) loan, it's a 7(a) loan. And
3 if they qualify for a 7(a) loan, banks don't go out to
4 educate themselves to see what they can do for a
5 Patriot loan.

6 MR. CELLI: Right. And I just want to let you
7 know we have about two more minutes until our next
8 briefing.

9 Felix Vargas?

10 MR. VARGAS: This is Felix Vargas. I am
11 reading your points here, and I'm asking myself, if
12 this is the situation where you're at, I wonder if this
13 isn't true in other geographic locations in the U.S.

14 What is it you're asking your committee to do?
15 To kind of take this issue up with SBA? To look into
16 this to see what can be done to resolve the problem
17 that you're experiencing there?

18 MR. BROWN: I would love -- and I would love
19 to have the SBA -- because it's a great program, I
20 would love to have the SBA go in and say, here's what
21 we're looking to do to the banks to get them to move on
22 some of the issues that are in there, some of the fees

1 that could be dropped or minimized.

2 I hate to see double fee structures put into
3 place against veterans. I am a vet, so --

4 MR. VARGAS: Thank you.

5 MR. ELMORE: Dennis?

6 MR. BROWN: Yes?

7 MR. ELMORE: This is Bill Elmore. I'm from
8 the SBA veterans office.

9 MR. BROWN: Hi, Bill.

10 MR. ELMORE: And I'm sorry I came in late so I
11 missed your discussion. I've got a copy of the e-mail.

12 If you want to provide some insight into some
13 very specific things that we can do, I will take those
14 recommendations to the leadership in the agency. I
15 can't say they'll act on them, but I certainly will
16 take them because I know that there's issues around
17 this as well. That's partly why it's a pilot, so that
18 we've got some flexibility to try to continue to tweak
19 this thing.

20 MR. BROWN: Okay. Yes, it's a great program.
21 It's just getting mixed up with other programs out
22 there.

1 MR. ELMORE: Talk with your committee or my
2 committee here, but I make that offer as well. And you
3 know how to e-mail SBA, so just look for
4 william.elmore@sba.gov, and that's me.

5 MR. BROWN: Okay. Thank you very much.

6 MR. CELLI: And we have a final question from
7 Dennis DeMolet.

8 MR. DeMOLET: Your buddy from Dayton, Ohio.
9 Mr. Elmore, and I know the chairman, Mr. Celli, know
10 that the last -- oh, I guess the last five months or
11 so, I've been working around the country. And I've
12 been working with a lot of the lending instructions --
13 First Merit Bank, Bank of America, I can go on.
14 Actually, I think I worked with about 16 different
15 banks.

16 Your issues are very much in line with what's
17 going on across the country. That's to answer
18 Mr. Vargas's question. Give you an example: A lot of
19 the banks will redirect veterans to other loan programs
20 because the points are too high on the Patriot Express
21 loan.

22 MR. BROWN: Correct.

1 MR. DeMOLET: And they'll either put them
2 within other SBA lending programs, including Community
3 Express or the Express loan program, and they'll find
4 if they don't have a score of 700-plus, they're not
5 going to -- they tell them not to go to the Patriot
6 loan program.

7 MR. BROWN: Correct.

8 MR. DeMOLET: And it also deals a lot in the
9 various areas with when they do get deployed and they
10 come back, you're absolutely right, they get hurt with
11 their credit score rating and the FICA score as well.

12 MR. BROWN: That's where we've seen most of
13 the damage, yes.

14 MR. DeMOLET: Yes. So what some of the banks
15 have been doing to gain numbers in -- first of all, the
16 SBA has to approve those lenders. Not every bank will
17 jump in the Patriot loan program with that unless they
18 have SBA approval.

19 There's over 500 lending institutions right
20 now, and part of the other area on that fee coverage
21 you're talking about, you know, their up-front fee --

22 MR. BROWN: Yes.

1 MR. DeMOLET: -- to process the application, I
2 think that's criminal. And I would suggest to the
3 chairman that that be an action item with the SBA. And
4 I think this committee can at least address some of
5 those things.

6 But a lot of the issues that you're talking
7 about are happening across the country. And that's my
8 point that I wanted to stress.

9 MR. BROWN: Thank you for saying that because
10 that's what we're finding here.

11 MR. CELLI: All right, Dennis. Again, I want
12 to thank you for your time, your insights, and your
13 work within the community with our veterans. And we
14 welcome you back at any time if you have additional
15 information or want to update us. And we're going to
16 have to move on to our next presentation.

17 MR. BROWN: Okay. I appreciate the time.

18 MR. CELLI: Thank you again, and have a great
19 day.

20 MR. BROWN: Okay. Thank you very much.

21 MR. CELLI: Good-bye.

22 MR. BROWN: Bye-bye.

1 MR. CELLI: All right. Next on our agenda,
2 we've invited the Office of Advocacy to give us a
3 briefing on some of the work that they've done over
4 2007, the outlook for 2008, and most importantly as far
5 as we're concerned, anyway, the most recent veteran
6 statistics and data that was released in their December
7 2007 report.

8 So I see Mr. Joe Sobota. I'll let Mr. Bill
9 Elmore introduce our guests.

10 MR. ELMORE: Well, Joe Sobota from the Office
11 of Advocacy is here. And he's going to introduce our
12 chief economist and someone else as well. And they'll
13 go ahead and start their presentation.

14 Joe, please.

15 MR. SOBOTA: Thank you very much. I just --
16 if you need anything from me, Madam Reporter, I gave
17 you our cards. I'm Joe Sobota. I coordinate our
18 veterans activities at the Office of Advocacy.

19 I know most of you. We've been in other
20 meetings before, and so I won't go through the long
21 version of who we are. The Office of Advocacy is an
22 independent office within SBA. We have our own

1 charter, our own statutory charter, our own mission,
2 own personnel authorities.

3 We essentially serve the same constituency as
4 the rest of the agency, the small businesses at large,
5 more than 25 million of them. But we do it in
6 different ways. We're very much involved in regulatory
7 advocacy. We work with other agencies throughout
8 government in order to help them reduce the impact of
9 their regulations on small business. We work to train
10 them how to comply with the Regulatory Flexibility Act.

11 And in support of our regulatory mission, and
12 also as one of our original core missions, we do a lot
13 of economic research. And our nexus with the veterans
14 community, especially since Public Law 106-50, has been
15 economic research about the role that veterans play in
16 our economy, and certain disabled veterans especially.

17 You probably heard me say before that we know
18 a lot about small businesses and we know a lot about
19 veterans, but the intersection of those two populations
20 has been surprisingly elusive. And advocacy is trying
21 to fill that knowledge gap.

22 And it seems to me it was about five years ago

1 I was speaking before this very committee, and at that
2 time, we were thrilled to announce that we had
3 persuaded the Census Bureau to add a couple questions
4 about veterans status into the 2002 survey of business
5 owners. This is a survey that is done as part of their
6 economic census, which is done once every five years.

7 And the 2002 effort, really, it's a bit of a
8 misnomer because the census is actually taken -- the
9 data, the survey instruments, are actually distributed
10 in 2003. But it's based on samples that they develop
11 using 2002 tax returns, and the data reflects what was
12 going on in 2002.

13 Some of the products, though, are released
14 over our next five-year cycle. In fact, they just got
15 around to issuing the veterans products in July of
16 2007. So right now we're already preparing for the
17 next cycle, and I'll say a word about that in
18 conclusion.

19 But today, what I want to do is essentially
20 provide you with a copy of our most recent product.
21 And that is a chapter in our Annual Report to the
22 President called "The Small Business Economy." For

1 years -- we actually have been doing this since 1982 --
2 for years, this was called "The State of Small
3 Business." And since 2001, we call it "The Small
4 Business Economy."

5 What we did is we have a whole chapter in here
6 in which we tried to digest some very complicated and
7 difficult-to-understand data that the census published,
8 hundreds and hundreds of pages of tables and numbers
9 and statistical significance factors and all kinds of
10 stuff that really was not terribly user-friendly,
11 although there was a lot of good information in there.

12 And basically, what we've tried to do is to
13 make it a little more usable for our stakeholders. And
14 that, of course, includes you. But this document has
15 wide circulation in other federal agencies, the
16 Congress, associations, our friends in the vet force,
17 and I know that my friend Bill over there probably
18 wants a whole box of them.

19 But at any rate, it's chapter 5 in here. And
20 everybody here will get a copy of this, and I have
21 extras. And let me just at this point introduce --
22 because Chad's going to distribute these -- our

1 advocacy's director of economic research, who really
2 pulls the strings on all of our economic research
3 activities, is Dr. Chad Moutray. And he's going to
4 have a word to say in a minute. And he's accompanied
5 by Dr. Jules Lichtenstein, who co-authored chapter 5
6 with myself. And we'll pass these out. Jules, could
7 you help with this?

8 In the packets that you'll also get to
9 accompany this, we have information that the Census
10 Bureau put on their website at the same time they
11 released these products that kind of summarizes their
12 products in two or three pages.

13 So basically, two products. One deals with
14 veteran business owners. The other deals with veteran-
15 owned businesses. There's an important distinction to
16 be made there. And we have a little slide show here,
17 and when Cheryl gets that thing fired up --

18 (Pause)

19 MR. SOBOTA: Well, I guess we were scheduled
20 for this afternoon and the projector isn't ready yet.
21 But we'll proceed, and there is a copy. My boss, the
22 chief counsel for advocacy, wisely thought -- we had a

1 disaster at another meeting we went to where I -- Bill,
2 that was in your room -- when we had a meeting some
3 years ago when the projector we had with us, the bulb
4 blew out. And we didn't have a printout of the
5 slideshow. So today we have it. Ever since then, I've
6 always had a copy of the slide show in your packet.
7 And we'll go through that in a minute. Well, are you
8 the IT person? Maybe we will have a slideshow.

9 The packet you have also has some information
10 about our office and our brochure, and the ever-popular
11 facts on small business. There are also two one-page
12 summaries, research summaries, we call them, of other
13 advocacy research relating to veterans. These two-
14 pagers -- there's two two-pagers in there -- are on our
15 two most recent products.

16 And one of those products was just released a
17 few weeks ago. It was authored by Chad. And Chad is
18 going to say a few words about that. It was a very
19 interesting finding around it. This was a project that
20 didn't start off to be a veteran-specific project, but
21 along the way we uncovered something interesting. And
22 you have a two-page summary on that, if you look at it.

1 It's called educational attainment, I believe.

2 DR. MOUTRAY: It's on the left-hand side, if
3 you pull it out. It looks like this.

4 MR. SOBOTA: And Chad, I'll let you go ahead.

5 DR. MOUTRAY: So I am of course blessed to
6 have Joe sitting in the same area as me. And of course
7 Bill comes up and teases me about the Cubs and the
8 Cardinals quite a bit. So I have many opportunities to
9 think about veterans.

10 You know, in our office we're charged with not
11 only looking at the importance of small business in the
12 economy, but also, thanks to 106-50, looking at women
13 and minorities, which we are always doing, plus
14 veterans and service-disabled veterans.

15 And so as part of that charge, we of course
16 try to look at veterans research whenever possible.
17 And certainly we have done a number of veterans
18 research projects. Jules, of course, one of the first
19 things Jules did when he came on board, I actually
20 hired him to do labor economics. One of the first
21 things he did was write this chapter that you're going
22 to be learning about in a second.

1 And we've done a number of research projects
2 over the years which have been dedicated to service-
3 disabled veterans. In fact, we just did an award in
4 September. We gave an award away to a contractor who
5 has a service-disabled veteran firm. And they're going
6 to be looking at reservists and the impact of
7 reservists. And much of the reason behind that was
8 Bill coming into my office and saying, this is
9 something that we definitely want to look at.

10 And so there's always those direct ways of
11 looking at the importance of the veteran entrepreneurs
12 and service-disabled veteran entrepreneurs. And we've
13 done an awful lot of that. Billy, of course, used to
14 be our contracting officer, and we miss him dearly that
15 he's not down here any more. But he's doing a great
16 job, obviously, for Bill.

17 But we've done a number of these what I would
18 call direct contracts to vet and service-disabled vets.
19 But we've also tried to -- and a little bit of this has
20 happened over the last year -- whenever possible, when
21 we're researching some other topic. If at all
22 possible, if there's a veterans data component, we'll

1 throw it in there and see what happens.

2 So we actually have done a number of studies,
3 and you have two of them in here. One of them, George
4 Haynes, who was actually one of our -- I think he has
5 done something for us just about every single year on
6 primarily wealth and income and small business finance
7 issues. In fact, he did something earlier this year
8 just simply on income and wealth over the last decade.

9 Well, we kind of tailored that a little, bit
10 specifically to veterans. So there's one sort of a
11 research summary in there from October, which is
12 specifically geared towards them. So we've tried as
13 much as possible to kind of throw that kind of stuff in
14 there.

15 And then there's the paper I wrote, which is
16 getting an awful lot of press. In fact, I wrote an
17 op-ed for the Washington Post that was published on
18 December 31st, ending the new year right -- or the old
19 year right.

20 But the primary purpose, I primarily
21 researched the importance of education. That's what my
22 dissertation was in, was education of economics. So I

1 was looking at the educational attainment of the self-
2 employed.

3 And in the process of doing so, they have a
4 nice component variable in there on whether or not
5 you're a veteran. So I put it in there, thanks to you
6 and to Joe. And lo and behold, it was the most
7 important factor in determining whether you were going
8 to be self-employed or not, was whether you are a
9 veteran. Okay? In fact, if you're a veteran, you're
10 roughly 10 percent more likely to be self-employed than
11 to work for someone else.

12 That's a very important component, and I know
13 that Bill, the second he heard it, was sort of jumping
14 up and down and sending it to a number of people. I
15 know that the Hill is looking at some veterans
16 entrepreneurship kind of stuff. And every single press
17 piece that's been done on my paper has little to do
18 with education and everything to do with the military
19 component, I think primarily because -- and Bill and I
20 have talked about this -- some of the other findings, I
21 think, are probably conventional wisdom.

22 You know, if you have more education, you're

1 more likely to be self-employed. So if you have any
2 college degree, you're probably going to be 3 percent
3 more likely to be self-employed than not. If you have
4 a bachelor's degree, that goes up to about 4 percent
5 more likely. If you have something beyond that, beyond
6 a bachelor's degree, it's 8 percent more likely. So
7 again, additional education increases your likelihood
8 of being self-employed.

9 The other finding is that if you're
10 wealthier -- and we measure wealth with the only
11 variable that I have, which is home ownership or the
12 value of your home or whether you have a mortgage,
13 those kind of things -- and those variables are also
14 very important.

15 But the challenge, of course, in terms of
16 marketing that is that everyone says that. If you look
17 at any study, they'll tell you that education is
18 important. They'll tell you that wealth or home
19 ownership is important. And this study probably was
20 the only one that really targeted military veterans
21 specifically.

22 And so I encourage you to look at it. I've

1 only given you the research summary, but the full study
2 is online, as all of our research is online. And if
3 you'd like to, we can send you a copy of it.

4 So that's the end of my presentation. I
5 primarily wanted you to learn about the data from the
6 Census Bureau, unless you have anything specific you'd
7 like for me to point out, Bill.

8 MR. ELMORE: No. I just think other than
9 that, I think what struck me when you first presented
10 this about a month ago was the surprise that you had in
11 this finding. And for me, I think in all the work that
12 advocacy has done, and a lot of it has been great, this
13 is one of the most important things that you all have
14 found because it reinforces what I think most of us in
15 this business already believe, and that is military
16 service does play some positive role in small business
17 ownership. It's just not clear what it is.

18 And your finding reinforces that, which is why
19 I think you've gotten so much attention, because it was
20 something into the broader economics community -- not
21 the veterans community, but the economics community,
22 where you're a professional -- that I think struck

1 everybody's attention.

2 DR. MOUTRAY: Well, I can tell you that the
3 business editor of the Washington Post contacted me
4 completely out of the blue asking me to write a column.
5 And what he really wanted, of course -- I mean, he got
6 what he got and he loved what he got. But what he
7 really wanted, he told me after the fact, was more
8 information on this.

9 And I think that's an opening there for SBA,
10 for advocacy, for the entire veterans community if
11 there's an interest there with the business editor of a
12 major national paper. So I think that hopefully we can
13 kind of groom that relationship over time and more
14 people, I think, will be educated on the importance of
15 self-employment or entrepreneurship amongst the
16 veterans and disabled veterans.

17 MR. CELLI: Well, Chad, I'd like to thank you
18 on behalf of the committee. And do any committee
19 members have any questions of Chad? I have just one,
20 and that is: You mentioned when you first started that
21 you've recently solicited and received a bid for a new
22 research study that looks at Guard and Reserve members.

1 And the phone call -- as you walked in on the
2 end, I don't know how much of that you heard -- talked
3 about the plight of Guard and Reserve business owners,
4 and now the diminished credit capacity that they have
5 based on the fact that they were removed from their
6 business and now, you know, are trying to get that up
7 and running, and are in fact damaged and at a lesser
8 advantage than they would have been had they not been
9 deployed.

10 And I just -- I know that you can't direct how
11 the study turns out. But I think that you can
12 certainly influence the types of stimuli that are
13 looked at within the study. So I would definitely ask
14 that --

15 DR. MOUTRAY: I'll pass that back along to the
16 COTR, who's Brian Head, who you talk to all the time as
17 well, and make sure he passes that along to the
18 contractor who's working on that. But that's the whole
19 reason why we wanted to look at this issue to begin
20 with, was we recognized that veterans, the Reservist
21 community, is really challenged with the constant call
22 over to Iraq and Afghanistan, et cetera. And it's not

1 only veterans in terms of the workers, but also the
2 veteran entrepreneurs, the owners themselves.

3 MR. ELMORE: If you don't mind me following up
4 on that, advocacy has stepped into this when no one
5 else across government has. And I'm grateful for that
6 because there's some real issues. I think all of us
7 are aware of that. And I'm grateful that you guys have
8 taken those steps, and I'm looking forward to when it's
9 completed.

10 DR. MOUTRAY: I think it was a quality
11 proposal. I know that Joe was involved in evaluating
12 it, but I think it was a quality proposal to see --
13 hopefully the paper is as good as the proposal.

14 MR. CELLI: All right, Chad. Thanks.

15 DR. MOUTRAY: So now I'll turn it over to
16 Jules and to Joe again so they can talk about the
17 chapter.

18 MR. SOBOTA: I'm going to start off here.
19 Thank you, Chad. And as Bill knows, we do have that
20 Reservist project underway, and there are other efforts
21 underway, too. Department of Defense has its own
22 research underway, and hopefully in the next year or so

1 we'll have some new studies. Ours is not at that stage
2 yet.

3 But we're going to go right now to the
4 PowerPoint presentation. And I'm sorry we don't have a
5 remote control, so we're going to have to ask that it
6 be slide by slide.

7 Basically -- and I've already really mentioned
8 this to begin with here -- our office is independent.
9 And there is a picture of our boss, Chief Counsel for
10 Advocacy Tom Sullivan. But we're independent within
11 the government. Counsel to the President and the
12 Congress. Work with other agencies. And I mentioned
13 regulatory advocacy and economic research. Cheryl?

14 And I apologize, by the way, for in your
15 packet it says Veterans Data Roundtable, December 11th.
16 It's correct up here. But our administrative people
17 kindly reminded me that the price of cyan cartridges,
18 it goes up with the price of gold. And it's been going
19 up a lot.

20 And so we already had these extras prepared
21 for our roundtable a couple weeks ago, and I know that
22 everyone here would want us to economize on scarce

1 government resources. So we decided we'd just use the
2 ones we had in hand. They're identical in every way
3 except for the meeting name, which is correct on the
4 screen. Next slide, please.

5 Past advocacy studies found some very, very
6 interesting stuff. And I think maybe the first really
7 big piece of news -- and it was news; it has tremendous
8 press coverage all over the country. We had graphics
9 in the Wall Street Journal -- was the Waldman study.
10 All of this stuff is on our website, by the way -- but
11 22 percent of veterans -- Cliff Waldman found that
12 about 22 percent of veterans were in the process of
13 starting a business or thinking about starting a
14 business. That's a huge, huge number.

15 And not every one of those turned out to be a
16 business. But it is a measure of entrepreneurial
17 interest. And so this was really a revelation. I
18 don't think anybody realized it was that high. And
19 that number has been widely quoted ever since. of
20 these folks, by the way, plan to have some employees,
21 which is excellent.

22 Now, I'm not going to read every one of these.

1 But you can see that these are just a few high points.
2 I could have picked out dozens and dozens of them. But
3 internet plays a major role in these firms, a
4 significant portion. A quarter of current business
5 owners in the Waldman study were 50 or more percent
6 internet-dependent.

7 And another terribly interesting finding was
8 that about a third of these current business owners and
9 those planning to be business owners found their
10 military skills or skills learned in the military to be
11 very important in their business operations. So this
12 is another validating kind of piece of information that
13 links the military experience and the entrepreneurial
14 experience. We are pleased with that. Cheryl?

15 Self-employment rates are higher for veterans.
16 Male veterans in the larger group, of course, are the
17 overwhelmingly biggest group. We have more and more
18 female veterans, but when we look at the entire
19 population right now, obviously males are more than
20 90 percent. But self-employment rates have been higher
21 for 25 years. This is not an aberration one year to
22 the next. They're consistently higher for veterans

1 than they are for non-veterans.

2 But not so for service-disabled veterans. And
3 another one of our studies found that the reason that
4 service-disabled veterans have lower self-employment
5 rates relates to their not being in the employment
6 market at all. And that is directly related to their
7 disability. So it isn't that they have less of an
8 entrepreneurial spirit; when we controlled for all of
9 the other variables, it was simply a factor that more
10 service-disabled veterans are out of the labor force.

11 Computer use is, as you might expect, related
12 to higher self-employment. They weren't able to come
13 up with a causal connection. They don't know whether
14 the computers caused the self-employment or the self-
15 employment results in computers.

16 Yes, Lou?

17 MR. CELLI: I'm sorry. I hope I'm not
18 interrupting your flow. I'm curious about bullet point
19 No. 2. So are you telling me that the data that you're
20 able to collect with regard to putting these studies
21 together does not include the service-connected
22 veterans because they are not in the employment food

1 chain; therefore, they're not looked at?

2 MR. SOBOTA: No. No, no. Without getting
3 awfully technical about this -- because I'm not the
4 expert in this area; I have to rely on Chad -- but
5 essentially, in the labor -- when the Bureau of Labor
6 Statistics makes measurement of employment, including
7 self-employment, they look at who is in the labor
8 force. And there's a definition about what that is,
9 how many hours. You have to work a minimum number of
10 hours per week.

11 Now, traditionally, unemployment rates, self-
12 employment rates, those kinds of things, are expressed
13 in terms of who's in the labor force. Our study, the
14 open blue study -- by the way, that was our first use
15 of the SDVOB set-aside authority, and Billy Jenkins
16 there was our contracting officer, and that was the
17 very first SDVOB set-aside for SBA. And that was
18 Billy's doing.

19 But anyhow, for the purposes of their study,
20 they wanted to go back and look at those folks that
21 were also not in the labor force, which is something
22 most other folks don't do. And we actually built

1 parallel tables, and you have to go to the study for
2 all this more technical data.

3 So when we included all those who weren't in
4 the labor force and would not be picked up in the
5 standard measurements just because they weren't in the
6 labor force, and then controlled for all these other
7 variables, we found some very interesting factors about
8 service-disabled veterans that don't show up in the
9 normal tables because anybody that's out of the labor
10 force just doesn't appear there.

11 So their objective was to dig deeper into the
12 data. And what they found when they controlled for
13 other variables was that there were an awful lot of
14 service-disabled veterans who were not in the labor
15 force, self-employed or employed by others either way.
16 And more than half of the reason for that related
17 directly to their disability. So this was something
18 that is overlooked in the normal statistics. But our
19 particular research effort found them.

20 There's some fairly sophisticated econometric
21 analysis that goes beyond that. You basically have to
22 control for a lot of variables, and take stuff away

1 until you find the effect you're looking for.

2 We should really move through this before we
3 answer too many questions or we won't get to the end.

4 Charles, did you have a quick one? Okay.

5 Next, let's -- oh, one other thing we found
6 there was that the number and amount of federal
7 contracts in the study period going to veterans and
8 service-disabled veterans were understated in the
9 official records. And of course, we've all learned a
10 lot more since then about problems with coding in the
11 federal databases, and there's efforts underway to
12 improve that. I think we're doing a better job now in
13 the coding.

14 I'm not talking about meeting the goals,
15 necessarily; we're doing a better job there, too,
16 although we're not where we want to go. But I don't
17 know how you ever tell if you get up to 3 percent if
18 you can't trust the underlying data. I mean, you have
19 to have accurate input in order to understand whether
20 you're making the goals or not. Next slide.

21 These are just a few baselines for the veteran
22 population in general. This is not the veterans in

1 business population. This is just the veteran
2 population. And we used 2002 here. We actually have
3 more current numbers for this, but we used 2002 to
4 compare it because our business data is from 2002.

5 But in 2002, there were 25.6 million. Most
6 were men. They were older. About 1 in 10 were
7 disabled. That's up; it's about 11 percent now. And
8 about 10 percent of the workforce. And they were less
9 likely to be unemployed than the rest of the workforce,
10 again, with the exception of service-disabled veterans.
11 Next slide.

12 I already mentioned that this was the first --
13 the Census Bureau's new product, the first veteran
14 business data we had since '92, they issued two
15 separate products that are the basis of our report.
16 And incidentally, our report that you have there will
17 have all the weblinks to this in there so you can go
18 look at the real -- the lengthy, long reports if you
19 want to. Next slide, please.

20 Here's a tricky part of the census data, and
21 one of the reasons it's hard to use. Almost everything
22 they refer to in their data is expressed either in

1 terms of numbers of respondents, respondent owners, or
2 percentages of that pool of respondent owners. And in
3 order to be a respondent, you had to answer certain key
4 questions.

5 Now, one of the reasons for this is that those
6 two veterans questions were grafted onto a survey that
7 was already proved and in process to collect data on
8 minorities and women in business. And so there are
9 some statistical questions that arise because the
10 sampling frames really weren't designed to collect data
11 about veterans.

12 But anyhow, if the responds -- and they sent
13 out 2.3 million of these survey instruments and got an
14 81 percent response because people are required to fill
15 this stuff in by law, and they go chase after you, just
16 like the other census; if you don't fill it in, they go
17 looking for you -- You had to answer the questions on
18 gender, ethnicity, and race. And if you didn't answer
19 those questions, then you weren't part of the
20 respondent pool. So you lose people that way.

21 Then, once you get through that hurdle,
22 veterans had to answer a question about veterans or

1 they were nonrespondent there. About 2 percent of the
2 other respondents who answered all those questions,
3 about 2 percent didn't answer the veteran status. And
4 once you got through those four hurdles, then about
5 6 percent didn't answer the status of disability
6 question. So at each step, you're losing a few down
7 the line.

8 And we don't know whether the nonrespondents
9 have the same characteristics as the respondents. So
10 that poses a whole raft of statistical questions. And
11 because the census effort did not go back in and sample
12 the nonrespondents and try to sort all that out, they
13 didn't make projections about the total number of
14 businesses, veteran-owned businesses, in the U.S. It's
15 certainly theoretically possible to do that, but this
16 effort does not do that.

17 So when you see a number like 16 million plus,
18 between 16 and 17 million veteran-owned businesses,
19 that does not mean that those are all the veteran-owned
20 businesses in the U.S. What it means is that's all the
21 respondents, their estimate of respondent businesses.

22 So again, without getting into too much

1 technical detail, I can tell you that their total
2 estimated number of businesses, respondent businesses,
3 in the U.S. was 16 million total, of which -- well,
4 I'll back up. About 16.7 or whatever it is million,
5 but we can find from other census sources that there
6 were -- that they themselves estimate that there is
7 more than 23 million businesses in the U.S.

8 Anyhow, I divided the one into the other, and
9 there's a factor of about 1.4 different. So in other
10 words, the numbers in the census report -- and all this
11 methodology is explained in our own chapter -- are
12 understated by some factor that is attributable to
13 nonresponse.

14 And so we don't have a census estimate of the
15 total number of veteran-owned businesses in the U.S.,
16 or service-disabled veteran businesses. The same is
17 true for the owners. And this is a statistical
18 limitation of this study.

19 Now, we had this roundtable on December 11th,
20 and we had the census people there that are responsible
21 for this particular effort and are working on the 2007
22 effort now. And they've told us that they are

1 intending to try to deal with this problem in the 2007
2 version, and to make estimates for the total numbers,
3 and to have more detailed data. The 2007 effort should
4 be even better than what we have now.

5 So what we have now is more than we've ever
6 had before. But it maybe isn't as much as we'll have
7 in 2007 or as much as we'd like. But we're very happy
8 to have what we do have, and we're thankful to the
9 Census Bureau for all the work that they've put into
10 the current product.

11 Now, I'll just quickly go through a couple of
12 these. Moving to the census data instead of the all-
13 veteran population, the owners -- we're dealing with
14 owners -- again we overwhelmingly male, non-Hispanic,
15 and white.

16 When we say non-Hispanic, Hispanic is
17 ethnicity, essentially, for those of you that don't
18 know how OMB classifies the changes a few years ago.
19 An Hispanic individual can be of any race. So they
20 basically use ethnicity as a description for whether
21 you are Hispanic or not Hispanic. And then the racial
22 categories are separated out.

1 So the veteran business owner is older.

2 That's to be expected. But they're quite old. They're
3 better educated. They work longer hours. And the
4 business is just slightly less likely to be the primary
5 source of income. Many people have both businesses and
6 they work someplace else. I don't have to tell you
7 that. Next slide.

8 Now, those were owners. Firms, again, firms
9 or owners, they're very similar to all other firms in
10 terms of the size, the sales receipts, number of
11 employees. There's very little difference. A little
12 bit more likely to be home-based, and a little less
13 likely to be family-owned.

14 Now, at this point, I'm going to turn it over
15 to Dr. Jules Lichtenstein. And he actually wrote the
16 bulk of this chapter. And the rest of this is pretty
17 much charts. And Jules, you developed the charts.

18 DR. LICHTENSTEIN: It's a pleasure to be here
19 this morning. Joe reviewed the overall results of the
20 census data, and what I'm going to do is basically deal
21 with the more precise and go through the specifics in
22 terms of the owner characteristics and the business

1 characteristics. And we have quite a few charts, as
2 you'll see, many colors. And hopefully it won't be too
3 distracting.

4 But I'd just like to again review some of the
5 data. Very simply, as you can see, veteran owners
6 represented -- there are 3 million of them,
7 approximately -- represented 15 percent of the total
8 number of owners that were surveyed, the 20 million,
9 20-1/2 million who were surveyed the census for 2002.
10 Again, these were the people -- these are the
11 respondents, not the total number of veterans or owners
12 in the population. We don't have that. Cheryl?

13 The veteran owners represented 27 percent of
14 the business owners, a total of 3 million business
15 owners. And as you can see here, veteran owners in
16 employer firms with employees, I'm sorry, were
17 27 percent. Those without employees, 2.1 million did
18 not have employees. Next.

19 Almost 200,000, or 6.5 percent, of the
20 business owners were service-disabled veterans. And
21 majority owners were found in about two-thirds of all
22 respondent firms, veteran respondent firms and service-

1 disabled respondent firms. Equal owners are found in
2 about a quarter of the three types of respondent firms.

3 So basically, ownership was -- they looked at
4 the -- the majority were owners who represented a
5 majority of ownership in these firms. This could be
6 one veteran or multiple veterans. Next.

7 Again, there were 2 million firms with one or
8 more veteran owners. And those firms represented about
9 12 percent of the total 16.7 million firms that were
10 respondent firms in the survey. Next.

11 Now let's go back to business owners and take
12 a more close -- a more detailed look at some of the
13 demographic and employment characteristics of these
14 owners. And in terms of the former business or firm,
15 hours worked, owner's primary function in the business,
16 and whether the business was the owner's primary source
17 of income.

18 And as you can see, as Joe mentioned, almost
19 all veteran owners were non-Hispanic white men, over 95
20 percent in each category. Cheryl? Next.

21 And obviously, if you look at this, especially
22 the first group of bars, you see the male

1 characteristic. You can see that there's a major
2 difference in gender ownership between veteran- and
3 non-veteran-owned businesses. Over 35 percent of all
4 owner respondents were women. But if you just look at
5 veteran-owned businesses, over 95 percent are men.

6 Only about 3.2 percent of all veteran owners
7 were black, 2.3 percent are Hispanic, and 1 percent or
8 less are American Indian, Alaska Native, Asian, Native
9 Hawaiian, and Pacific Islander. We don't have a chart
10 on this, but they're small numbers, and they're in the
11 specifics in our report in chapter 5. Next.

12 Joe also mentioned veteran and service-
13 disabled veterans are older than all business owners.
14 Over two-thirds of veteran business owners are over 55,
15 compared to a third of all business owners. So there's
16 a significant difference in terms of age. Obviously,
17 veterans are older in general than the overall business
18 ownership population.

19 Over 57 percent of service-disabled veterans,
20 as you can see in the last set of bars here, are 55 and
21 older. The largest segment of veterans is the Vietnam-
22 era group. The oldest in this group are now reaching

1 retirement age, as we know, and this may have a
2 significant effect on their entrepreneurial activity.
3 And we'll need to look at the 2007 SVO to really get a
4 handle on what's happening to this veteran cohort,
5 which is particularly important. Next.

6 This slide goes into some detail in terms of
7 education. As Joe also mentioned, veteran business
8 owners tend to be better educated. Overall, they are
9 more likely to have post-graduate degrees, as you can
10 see on the set of bars, masters, PhD, or professional
11 degrees.

12 The service-disabled veteran owners are more
13 likely to have at least some college education that may
14 or may not have resulted in a degree. On the other
15 hand, if you look at high school graduation, they're
16 obviously less likely to have graduated from high
17 school, if you look at the second set of bars there.
18 And they're about equal in terms of technical or trade
19 education. Next.

20 What about how hard veterans versus non-
21 veterans are working? Service-disabled veteran owners
22 tend to be slightly more likely to work longer hours

1 than either veteran owners or all owners of respondent
2 businesses. Almost 54 percent of service-disabled
3 veterans worked an average of 41 hours or more per
4 week. Only 51 percent of the other two groups work
5 these long hours. Next, Cheryl.

6 This slide shows you the owner's primary
7 function in the business. And basically, the service-
8 disabled veterans are most likely to report the owner's
9 primary function as producing the business's goods and
10 services and managing day-to-day operations. Over
11 55 percent said that they did both these functions.
12 Next.

13 Owner's primary source of income. The
14 veterans are less likely than all owners, 51 percent of
15 respondent firms, to report that the business was the
16 owner's primary source of personal income. Service-
17 disabled veterans are actually least likely to report
18 the business as a primary source of income. And you
19 can see this from this chart. I'm not sure exactly
20 what the other sources would be in this case, but we
21 don't have information on that.

22 As expected, businesses with employees are

1 more likely to report that the business was the owner's
2 primary source of income than businesses without
3 employees.

4 Now, turning from veteran business owners to
5 the firms themselves in the next slide, you can see
6 that businesses owned by volunteers are nearly
7 identical to all businesses -- let's see here. Could
8 you go back one? In terms of receipts and employment
9 size of -- I guess I don't have this -- we don't have a
10 slide of this. But you'd have to look at your report
11 to get receipt size and other information on employment
12 size of firm.

13 But basically, there's very little difference
14 in terms of receipt size and employment size. There
15 are charts on page 137 of the Small Business Economy
16 which show you the similarity in receipt size and
17 employment size of veteran- and non-veteran-owned
18 businesses. It's very similar.

19 Let's move to the next slide, which talks
20 about how old the businesses are. And if you --
21 veteran-owned businesses are older than all firms.
22 Almost 55 percent of veteran-owned firms with employees

1 were acquired before 1990, and compared with only
2 38 percent of all respondent firms with workers.

3 Compared with all firms, smaller percentages
4 of veteran-owned firms were acquired after 1999. And
5 therefore, there's obviously a strong link between the
6 older age of veteran business owners and the age of
7 their firms.

8 This obviously brings up an interesting
9 question in terms of how well they do depending on the
10 age of when the owner starts the business. Okay? If
11 you become self-employed before age 50, for example,
12 you might do better than if you decide to start your
13 business after age 50.

14 So there's other research which has found that
15 the longer you're in business, obviously, the more
16 successful you're probably going to be. So there's
17 certainly an issue in terms of age of when a veteran
18 would start a business.

19 Now, in the next slide, we look at some
20 interesting attributes in terms of home-based
21 businesses, family-owned, and franchises. And you can
22 see from this chart it's obvious that franchises are a

1 relatively small proportion of veteran-owned
2 businesses.

3 In terms of home-based businesses, slightly
4 more than half of all veteran-owned businesses reported
5 operating out of the owner's home, compared to slightly
6 less than half of all respondent businesses. So
7 they're more likely to be home-based, slightly more
8 likely to be home-based, than all respondent
9 businesses.

10 And as expected, businesses with employees are
11 less likely to be home-based than businesses without
12 employees because unless you've got a gigantic home,
13 you're not going to be able to fit your employees in
14 there.

15 The largest proportions of home-based
16 businesses -- and this is not a chart here; it's in
17 your report -- were in construction, almost three-
18 quarters working from the owner's home; administrative
19 support, almost two-thirds working from the owner's
20 home. So the type of business also is important in
21 terms of whether you're home-based or not.

22 Now, we look at family-owned businesses.

1 Almost 16 percent of veteran-owned businesses were
2 family-owned. However, they were less likely to be
3 family-owned than all respondent businesses. And as
4 you can see, there were 23 percent family ownership
5 among all respondent firms in the first set of bars
6 there.

7 As expected, veteran-owned businesses with
8 employees were slightly more likely to be family-owned
9 than their counterparts without employees, 17 versus
10 15 percent. And veteran-owned businesses appear to be
11 more heavily weighted towards sole ownership than
12 respondent businesses, which is interesting. Seventy-
13 five percent reported they had only one owner, compared
14 to 64 percent of all respondent firms. So veterans are
15 going it alone more likely than all respondent firms.

16 Now, if we turn to franchises, as I mentioned,
17 franchises is a relatively small proportion of all
18 businesses, only about 2 percent in all cases. And
19 firms with employees are more likely to be franchised
20 than firms without employees, obviously. And the
21 highest proportion of franchised veteran businesses are
22 in management, accommodations, and food services. And

1 we don't have any information on how many McDonald's
2 they own or anything specific. But clearly, franchises
3 are important, but relatively less important than other
4 factors here.

5 Another key issue that the census looked at
6 was the sources of capital needed to start, acquire,
7 and maintain a business. Next slide. And clearly,
8 access to capital is important for entrepreneurship.
9 How easy you can get it is critical. And that's one
10 thing SBA tries to help these businesses with.

11 And almost two-thirds of veteran firms with
12 owners relied on personal or family assets to start or
13 acquire their firms. And this was nearly the same as
14 all respondent firms, almost 64 percent.

15 MR. GROSS: Now, were you surprised at the
16 government guaranteed bank loan percentages?

17 DR. LICHTENSTEIN: How low they are?

18 MR. GROSS: Yes.

19 DR. LICHTENSTEIN: No, because government
20 tends to only be able to affect a relatively small
21 proportion of total firms.

22 The veteran firms were somewhat less likely

1 than all respondent firms to use a personal or credit
2 card as a source of capital, 7 versus 9 percent. And
3 percentages of veteran-owned and all firms originally
4 financed by banks were nearly identical, about 11-1/2
5 percent in both cases, for veteran and all respondent
6 firms. And also we mentioned the government direct and
7 guaranteed bank loans were also relatively small in all
8 cases.

9 Outside investors provided only 2 percent of
10 veteran firms with capital, compared to 3 percent of
11 respondent firms. So again, this is a relatively small
12 proportion in either case.

13 Many firms, as you can see from the last group
14 of bars here, both veteran and all respondents reported
15 they did not need capital to start or acquire their
16 business, about 28 percent. That's a very high
17 percentage. However, firms with no employees were
18 three times less likely to need capital than firms with
19 employees. Obviously, if you're bigger, you're going
20 to need the capital.

21 If we move to the next slide, looking at the
22 type of customers that veteran and all firms have,

1 veteran firms are more likely to have other businesses
2 as customers than all respondent firms, 36 versus
3 32 percent, and less likely to have individuals as
4 customers, 46 versus 49 percent.

5 Government represented over 8 percent of
6 customers for both the veteran-owned and total
7 respondent firms. So it's about equal in terms of
8 dealing with government. And export sales, as you
9 would expect, represented only a small slice of
10 customers for veteran and total firms, about 2 percent.
11 Small firms tend to be subcontractors to larger export
12 activities.

13 Yes?

14 MR. ELMORE: When I first went through this
15 data last summer, one of the parts that jumped out at
16 me was the fed government and the 10 percent or more
17 that are market because that's 2.6 percent compared to
18 2 percent of non-veteran firms, which I wasn't just
19 sure if that was significant, if that's statistically
20 important. And perhaps the next question would be: Do
21 we know if we're going to have this data out of the
22 2007?

1 DR. LICHTENSTEIN: Well, I believe we are
2 going to have this data and more in 2007.

3 MR. SOBOTA: Well, Bill, I won't try to say
4 technically whether it's statistically significant. I
5 think the answer is yes because the Census Bureau
6 wouldn't have published it in their larger charts from
7 which this is drawn were it not significant. It
8 wouldn't appear there. It would have been just a
9 little line.

10 DR. MOUTRAY: I think his question is the
11 difference significant. And it probably is because
12 you're talking about millions of people being surveyed
13 here. And so you'd have many degrees of freedom here.
14 So that's publicly statistically significant, whereas
15 if you were dealing with just a couple hundred
16 observations, that probably wouldn't be the case.

17 MR. ELMORE: Of course, it's '02 data. And
18 that's why I was thinking that if we get this data in
19 '07, we may be able to measure some growth perhaps in
20 the percent of veteran small businesses who consider
21 the federal government as part as their marketplace.

22 DR. MOUTRAY: Well, they are currently

1 doing -- sorry to interrupt there -- but they are
2 currently doing the 2007 economic census right now,
3 actually. So if you know a business that's doing a
4 survey, please have them fill it out.

5 But they are currently doing it, and I believe
6 that there are veterans questions in there again. So
7 they'll be able to do this same report in 2010.

8 DR. LICHTENSTEIN: Okay. Going through the
9 next slide, we talk about the types of workers employed
10 in these firms, veteran and non-veteran firms.
11 Basically, there's very little difference in -- sorry
12 here. They differ only slightly across the types of
13 firms -- paid employees, temporary staffing, leased
14 employees, contractors, or subcontractors.

15 If we go to the next slide, we can see the
16 types of employees in the different firms in terms of
17 whether we have employer firms and non-employer firms.
18 And this is -- as you can see here, there's very little
19 difference in hiring patterns overall. Almost
20 83 percent of veteran-owned and all respondent firms
21 with employees reported using their own full and part-
22 time paid workers to operate their businesses. Over

1 one-third of veterans and total respondent firms with
2 employees used contractors, subcontractors, outside
3 consultants in their business, and almost 20 percent of
4 veteran and total rpd firms without employees used
5 contractors or consultants.

6 And also, it's interesting to look at the
7 leased employee issue, which is the little blue line
8 here, the little blue bar. We know that one way to
9 increase the availability of employee benefits, for
10 example, in small businesses is to lease employees.

11 And leased employees, the whole concept and
12 the companies that lease them have been around for a
13 while. But we don't see much activity with leased
14 employees here if we look at either veteran-owned or
15 total respondent businesses. So that's a very
16 interesting issue, certainly given the debate, the
17 health debate, and the issue with pensions and so
18 forth.

19 And if we go to the next slide, we turn to
20 industry that veteran-owned and respondent firms
21 reported, veteran-owned firms were generally
22 distributed equally, similarly to all respond firms,

1 when we look at two-digit NAICS code, which is the
2 Native American Industrial Code, which came about in
3 the 1980s, I believe. Maybe it was 1990. I'm not sure
4 exactly when it started. But it has shown a -- there's
5 a disconnect between how you measure industry before
6 that year and how you measure industry after that year.

7 There were some slight differences in
8 construction, 14 percent versus 12 percent in
9 professional/technical services, with veteran-owned
10 businesses having higher percentages in these
11 categories than all respondent firms.

12 And if we look at the -- again, if we look at
13 kind of business for employer and non-employer firms,
14 the trends are true for both -- we see similar trends
15 for whether a firm has employees or it doesn't have
16 employees. There are some slight differences.

17 Now, what can we conclude from all of this?
18 From the data on the next slide, it sort of summarizes
19 our conclusions. As Joe mentioned, the new census SVO
20 data is the most detailed veteran data we've ever
21 collected, we've ever had. This is very significant.
22 The presentation summarizes the two reports from the

1 Census Bureau. And you can get those online if you
2 look at the website which is included in the
3 information you have. If you check the website, as we
4 said, preparations are underway, and I guess they're
5 surveying -- I don't know if they're surveying at this
6 minute.

7 DR. MOUTRAY: They've already been mailed.

8 DR. LICHTENSTEIN: They're already mailed.
9 Okay. When that becomes available, and we hope it's
10 sooner than the 2002 became available, we hope to
11 compare the trends between 2002 and 2007.

12 Yes, Bill?

13 MR. ELMORE: A question. Given the level of
14 membership amongst the American Legion, for example --
15 and this is a conjecture question -- if there was a
16 request through the media outlets into those major
17 veteran service organizations about if you get this
18 survey, please fill it out, I just wonder if you think
19 that might have some potential effect on getting more
20 data.

21 DR. MOUTRAY: The answer is yes. And I know
22 that they have been filled out because people complain

1 about filling out the survey. There's a huge amount of
2 paperwork burden.

3 MR. ELMORE: Sure.

4 DR. MOUTRAY: And so we occasionally look at
5 complaints. We haven't gotten as many this time as
6 past years. I know the NFIB has received some
7 complaints. But we always encourage people to fill it
8 out. This is very important. It's only done one every
9 five years.

10 And in the grand scheme of things, think of
11 how much information we could get from this, not just
12 on veterans but also women and minorities and home-
13 based businesses, franchises. There's a wealth of
14 information here. And definitely you should encourage
15 people to fill it out if they get it.

16 MR. CELLI: And actually, that was my
17 question, Chad. How long does it take to fill one of
18 these studies out? I know the government does all
19 kinds of studies, like with the IRS it takes you 9.3
20 years to do your tax return.

21 MR. SOBOTA: Well, cumulatively it adds up
22 because they sent out 2.3 million of them last time

1 around. That's a lot. But the actual survey --

2 MR. CELLI: I want to know per individual.

3 MR. SOBOTA: Yes. The actual survey
4 instrument is only about four pages long, and there are
5 probably -- it depends on how many owners you have
6 because they will be collecting data on up to four
7 owners per firm. So if you had four owners, it would
8 take a little longer than fewer.

9 But there's only about 15 or so questions per
10 owner, and then some general questions that everybody
11 would answer. I don't suppose the whole thing would
12 take the owner more than 20 minutes, a half hour,
13 something like that. I don't know what the official
14 tally is. They basically -- they had to publish that
15 in the Federal Register and make a good faith estimate
16 on how much time it is.

17 But the old surveys, 1992 it was a huge thing.
18 But they have collapsed the whole thing down into four
19 pages, at least 2002. I haven't seen the 2007
20 instrument.

21 MR. CELLI: Bill.

22 MR. DOZIER: How do you determine who gets

1 these mailings?

2 MR. SOBOTA: Well, the Census Bureau does
3 that. And they design a scientific sample. Their
4 sampling frames are constructed to reflect the
5 population at large. But that's one of the problems we
6 had with the significance of the veterans data in the
7 2002 effort because basically the sampling frames were
8 designed to survey minority- and women-owned
9 businesses.

10 And although it's a very large sample, and
11 obviously we have veterans across both those
12 populations, it still wasn't specifically designed to
13 reflect the veteran population in each state and all
14 the other demographic variables that they would use.

15 So there are statistical techniques to correct
16 for that. Not all of them were done in the 2002
17 survey. But the Census Bureau does that. They're very
18 good at constructing scientific samples. And unless
19 the sample is conducted or is constructed to reflect
20 the larger population, then various kinds of errors can
21 creep into the estimates that they make.

22 MR. ADAMS: Excuse me. For the record,

1 because we're taping on the record, the questions are
2 being asked by Mr. Bill Dozier. Please identify
3 yourself as you talk.

4 DR. MOUTRAY: Lou and Bill, we have Lee
5 Wentela is actually the guy who's in charge at Census.
6 He came to the roundtable. We can certainly put you in
7 contact with him in terms of any support you might be
8 able to give in terms of people filling out the survey,
9 or certainly specific questions regarding paperwork
10 burden and that kind of stuff. Because he's the guy
11 who would know. We haven't even read the Federal
12 Register to know that.

13 MR. SOBOTA: Yes. We've had a similar kind of
14 question in the past about how do we get my guys to get
15 in on this thing. And the answer is, you don't,
16 because they basically select you. The basic source
17 material are tax returns.

18 They basically look at tax returns, and they
19 work out the samples from three kinds of tax returns.
20 With anybody that's had income reported on their
21 Schedule C on a 1040, that's a group. 1065s and 1120s
22 are a different group, partnerships and corporations.

1 So they look at those tax returns and say,
2 okay. Here's folks that have business income, and they
3 work out how many they want from California and how
4 many they want from North Dakota, that kind of thing.

5 MR. DOZIER: So it's random?

6 MR. SOBOTA: Yes. I don't know exactly the
7 parameters that they put together. But they know what
8 they're doing. They're very good at that.

9 MR. DeMOLET: Dennis DeMolet. Joe, thanks for
10 coming today, all of you, by the way.

11 I've got a couple questions. Were
12 demographics measured at all?

13 MR. SOBOTA: Oh, yes. Yes.

14 MR. DeMOLET: So you have a greater
15 concentration of where you could show where the
16 service-disabled veteran businesses were located?
17 Southwest, Northeast, or --

18 MR. SOBOTA: Well, I'll let Chad answer that.
19 But first of all, the Census Bureau, yeah. The
20 underlying -- if you look at our report, at the very
21 end of it there's information about special
22 tabulations. The Census Bureau obviously knows where

1 all these came from, and there's a wealth of data that
2 is not reflected in their published documents. I mean,
3 there's any number of combinations of questions that
4 one could put together a special tabulation on, not
5 just with the census survey instruments but with the
6 associated administrative data.

7 And so, yes, people do send them requests for
8 special tabulations. They have to pay for that. They
9 did not publish state data. They didn't publish a lot
10 of things that would be potentially there. Now, we're
11 working with some other data on our own. We've asked
12 them for additional data.

13 When you drill down deeper and deeper and
14 deeper, then it becomes statistically more and more
15 difficult. For instance, I could make an estimate of
16 how many veteran-owned businesses there are in the U.S.
17 and be pretty confident that I got it right. But if
18 you asked me how many service-disabled-owned veteran
19 businesses there were in Delaware, I wouldn't be able
20 to do that because of the size of the cell and other
21 kinds of statistical problems.

22 But yes, the census has got lots and lots of

1 data.

2 MR. DeMOLET: The other question is: On the
3 form that's sent out, is there a definition of what a
4 veteran is on there?

5 MR. SOBOTA: I think, if I looked at the
6 survey instrument correctly, they did have something
7 there. I think they might have just cited the Title 38
8 definition.

9 MR. DeMOLET: Title 38? Yes.

10 MR. SOBOTA: I really would have to check back
11 on that, Dennis. I can get back to you. But they do
12 make an effort to have a consistent response to that,
13 and I think they just used the Title 38 definition.

14 MR. DeMOLET: Because I know I bump into it.
15 I know Bill has. I've got people that are in the
16 Guard -- I know you've had, Lou -- that will say, I'm
17 in the Guard. I'm not a veteran, you know. They have
18 a different -- like and women, you know, that were in
19 uniform and served many years and said, well, I thought
20 that was for men only. I mean, I've had all different
21 characteristics. So I wondered --

22 MR. SOBOTA: Dennis, I'll send you a copy of

1 the actual survey instrument. I'm glad you asked that
2 question because I did know that once, but in my
3 advancing age, I've forgotten. I don't have the total
4 survey instrument memorized any more. But I think it's
5 the Title 38. We'll send you a copy.

6 DR. MOUTRAY: It not only has it in the
7 instructions, but it's actually self-reported.

8 MR. CELLI: Thank you. One last question from
9 Frank.

10 MR. MANCINI: Frank Mancini. It's
11 overwhelming the difference between the respondent data
12 on the veterans and what's actually in databases in the
13 CCR. And I was wondering why such a discrepancy.
14 We're talking about tens of thousands in the CCR versus
15 200,000. Now, I have an idea. In the CCR, you are
16 required to have a dense number. But I'm just aware in
17 the census data you're not required to identify
18 yourself or to even prove that you're indeed an SDVOB.

19 So could that be a possibility of a very high
20 error, margin of error, for SDVOBs?

21 MR. SOBOTA: Well, here's the basic thing
22 here. I think we're comparing apples and oranges. And

1 when you talk about the CCR, the CCR is a procurement
2 database. Nobody's going to register in the CCR unless
3 they have a reason to do business with the government.
4 And frankly, most firms, veteran or otherwise, don't do
5 business with the government.

6 The Census Bureau is interested in looking at
7 the whole economy. They don't really focus on firms
8 that are doing business with the government, although
9 they did have that question about the percentage of
10 receipts, over 10 percent receipts, that went to
11 federal business. But I wouldn't expect the CCR to
12 show the same --

13 MR. MANCINI: That leads to another question
14 as well. Could that be a symptom, where so many SVDObS
15 in this 200,000 that they are saying, well, doing
16 business with the government is so overwhelming. It's
17 a loss of time, a loss of money. It's impossible doing
18 it. It's very difficult. And therefore, we're not
19 going to do it. Therefore, it's a lose situation even
20 begin doing business with the government.

21 MR. SOBOTA: I don't think you can draw that
22 kind of conclusion from this raw data. I mean, a lot

1 of businesses, whether they're SDVOBs or not, would say
2 exactly what you said. They say, basically, I don't
3 want to do business with the government business
4 because it's too complicated and too different.

5 This study did not try to answer that
6 question, and it didn't focus in on that. Now, we do
7 look -- we can compare the percentage of all veteran-
8 owned firms that do business with the government
9 against the percentage of all firms that do business
10 with the government. And as Bill points out, the
11 veterans are actually about a third again higher than
12 all folks.

13 MR. ELMORE: And this is '02 data, which
14 was -- the whole federal procurement thing was really
15 just in its early stages.

16 MR. SOBOTA: Yes. My guess is -- and I don't
17 have the solid data to back this up other than that 2.6
18 percent number that we just saw up there, which I think
19 is a very important number -- but my guess is that
20 veterans are over-represented in the dollar value of
21 business to the government.

22 Now, I don't mean that -- I've got to be

1 careful here. I don't mean to say we're meeting the
2 goal, the 3 percent goal. I don't mean that. No,
3 we're not. We know that. But what I mean is that the
4 percentage of dollars going to veteran-owned businesses
5 is probably higher than the proportion of businesses
6 that they represent in the U.S. economy. At least this
7 number that we just saw on the chart would tell us
8 that.

9 I don't know that we want to compare CCR data
10 with this, though. CCR is a very specific database for
11 a very specific purpose. It certainly isn't
12 representative of the larger business community.

13 MR. CELLI: All right. Joe, Chad, Jules, on
14 behalf of the committee, I'd like to thank you for
15 sharing your data with us today. It's been very
16 enlightening. It's going to assist us greatly when it
17 comes time for us to make our recommendations at the
18 end of the year, as we do every year.

19 We look forward to a healthy working
20 relationship with your office. And if you'd be so kind
21 as to get a copy of the survey that you were going to
22 send to Dennis out to all of us, or at least enough to

1 the committee that I could distribute it, that would be
2 great.

3 MR. SOBOTA: Yes. We'll take care of it.

4 MR. CELLI: That would be great. Thank you so
5 much. All right. Thank you.

6 (Applause.)

7 MR. CELLI: All right. Let's take about a
8 two-minute break. And as we've done earlier in the
9 agenda, we're going to go ahead -- which has worked out
10 very well for us -- we're going to go ahead and move
11 the presentation by the Veterans Corporation up to be
12 before lunch, and then we'll take our lunch break
13 afterward.

14 (A brief recess was taken.)

15 MR. CELLI: We're back on the record. As I
16 mentioned before the break, we're going to accelerate
17 our agenda and move into the briefing by the Veterans
18 Corporation.

19 All right, gentlemen. Thank you for coming.
20 I'd like to preface by stating that during our last
21 committee meeting, we discussed trying to forge a more
22 stable and a more comprehensive relationship between

1 the committee's activities and the Veterans
2 Corporation. And in that light and in that vein, we'd
3 like to make sure that we have ample opportunity for
4 you to give briefings during every one of our committee
5 meetings.

6 We just recently changed our second date, and
7 the dates -- which I'll make sure that we get them to
8 you in an e-mail as well -- are March 18th, June 17th,
9 and September 16th for our upcoming meetings for the
10 2008 fiscal year. And those are pending room
11 assignment, making sure that we have the proper rooms
12 here.

13 So if that changes, we'll let you know. In
14 the absence of that changing, those are going to be our
15 dates. So just know and understand that you have a
16 standing invitation to be here any time you need. And
17 thank you.

18 MR. BLACKWELL: Well, thank you, Mr. Chairman.
19 First let me say thanks for putting Felix Vargas as a
20 liaison between our committees. As you may know, Felix
21 serves on the Private Sector Leadership Council for
22 TVC, whose primary duty is to really look at how we can

1 raise private funding outside the federal sector
2 funding.

3 That's particularly significant since we
4 literally, about eight days ago, got funding for
5 FY '08. As you know, we've been in three CRs prior to
6 this. And that funding came back at a disappointing
7 million dollars less than we had hoped for out of the
8 House.

9 The House put us in for 2.5 million. The
10 Senate put us in for nothing. And the bottom line is,
11 instead of 2.5 million, it's 1.4, 1.41, to be specific.
12 This has caused obviously a lot of issues on how we do
13 what, with what, for when, and how. And the board has
14 been very, very active all through the holidays with me
15 and staff to completely rework our budgets to
16 completely review all of the activities that we're
17 involved in, and specifically, the strategic plan.

18 I asked Felix just to catch up and pick up the
19 draft plan that I gave him in November because that's
20 still an internal document based on \$2.5 million. And
21 with 1.4, that plan is currently with the board now,
22 along with those budgets. And I really need to get

1 their input.

2 Let me give you specific things I think you're
3 going to care agent. And really, to be very candid
4 with you, I'm only going to cover the 50,000-foot level
5 because the board makes the final decisions.

6 We have been, as you know, in 2006, October/
7 November time frame, moved from direct funding to a
8 grant-based program at TVC. That grant-based program
9 gave our three hubs a year of what are called
10 noncompetitive grants to help them find and continue
11 their work, but look at outside funding to cover
12 operational expenses that they might incur.

13 We also put out a solicitation for people
14 interested in grants from TVC, specifically who are in
15 the business of veteran advocacy and entrepreneurship.
16 I can give you some general data that those grant
17 solicitations, along with an invitation to the three
18 hubs by our chairman of our board -- which happened in
19 the November time frame; Felix was in attendance -- the
20 three hubs made presentations for the grants that they
21 would like to get for the FY 2008 period. And at that
22 point, I think, Felix, we had 16 applicants in the

1 November time frame.

2 As of January 16th, we have a total of 30
3 potential grants. We have closed the grant cycle.
4 Obviously, with a million dollars less, there's no
5 point in having other people's expectations raised. So
6 we've closed the grant cycles. Those 30 grants, of
7 which the three hubs are a part of, represent
8 \$1,924,000 worth of requests.

9 So have we demonstrated there's a need out
10 there in veteran advocacy across the entrepreneurship
11 cycle? Absolutely. And the facts are that in 106-50,
12 where it says -- Section 47 -- to build a network of
13 centers, that would give us, had we gotten the \$2.5
14 million, an opportunity to be in 19 states. Because we
15 would have clearly been able to fund a majority of
16 those states as they're outlined.

17 One of the great things that I think happened
18 out of the November meeting is that we established a
19 section of the board for a grant review committee.
20 That committee met last Tuesday night. We reviewed the
21 30 grants that are there. They are now working with
22 those 30 grants to see, given our monies, how do we

1 allocate those dollars accordingly and equitably across
2 the network.

3 So that will happen by the end of next week.

4 As you may know, with the appropriations came the
5 request from both House and Senate appropriators to
6 provide a new budget on how that \$1,410,000 are going
7 to be spent. We'll furnish that data some time on or
8 about the 24th of this month. That data represents
9 what we'll be able to do given our current amount of
10 money through FY '08.

11 Now, you may be asking, so what? Well, the so
12 what is that's the federal so what. We're very
13 actively involved in private fundraising. There are a
14 series of events, to be very specific, that are
15 currently planned now that are aimed at Balboa out in
16 California, Walter Reed here in Washington, we're
17 holding an event in Palm Beach, and the fourth one will
18 be at the Intrepid Center in San Antonio.

19 These are basically fundraising events that
20 will -- you give money, but you don't show up. You
21 basically give your ticket to someone who's on active
22 duty or in the recovery process at those facilities.

1 And it's a nice evening. We have the potential of
2 getting some stars to attend this thing. So it's a
3 nice kind of gala for them, and it's a good way for
4 folks who don't want to go do the rubber chicken dinner
5 cycle to go sponsor someone into those events. So
6 you'll hear some about that.

7 Our hope is that there is a million. There is
8 2 million. There is 5 million. There is 10 million.
9 I can tell you from the last almost three years, I
10 haven't found it. But we're working really hard.
11 We've established two new sections.

12 I mentioned the Private Sector Leadership
13 Council that Felix is a part of. Don Gonaval, who I
14 think many of you know, is heading that up for me. And
15 then Chuck Ashman -- I'm not sure all of you know him,
16 but Chuck was the head of Fox for many years, and heads
17 up the business matchmaking materials now that are held
18 face to face with a number of folks, And he heads up
19 something called the Committee of 100.

20 So our goal is in the short-term. And the
21 short-term is literally the next 90 to 120 days because
22 as things look like they're going, we could clearly run

1 out of money before the needs are met.

2 So that's a snapshot of where we are. You
3 will get a copy of the final strategic plan. I had
4 hoped, frankly, to have your strategic plan, but I
5 don't have that. So I can't tell you where the
6 intersects are. I can tell you where I think our
7 strengths are.

8 And I'm going to ask Felix to work with me and
9 then whoever on your council who can do a strategic
10 plan for what you're physically planning to be able to
11 do in FY '08. We'll merge where the intersects make
12 sense.

13 Now, clearly we have to leverage everything we
14 can because the monies from the federal side are not
15 growing. They're shrinking. And unless there's a way
16 that somebody sparkles twinkle dust on all of us, it's
17 going to depend very, very, very much on private sector
18 funding.

19 Yes, sir?

20 MR. DeMOLET: Yes, Mr. Blackwell. Thank you
21 for coming. Dennis DeMolet here.

22 Do you have an optimistic viewpoint with the

1 private funding for TVC?

2 MR. BLACKWELL: The answer is simply yes. I
3 always have optimistic viewpoints. The real question
4 has been, what's in it for me as a company? And let me
5 be very clear because we've looked at the private
6 commercial product-centric companies first because they
7 are the programs -- they have programs in place.

8 They have minority supplier diversity
9 programs. They have other action programs. They have
10 community-based programs. And you can look for the
11 pools or pods where veterans are in the top ten,
12 fifteen states and say you can put your associates in
13 some kind of an action program and then make that a
14 pool of money for that particular region or district.

15 The retail package goods companies have not
16 been very good about coming forward. And let me tell
17 you what's not in it for them. What's not in it for
18 them is we can't give them a database that they can
19 market to. They're looking for names, addresses,
20 telephone numbers, and e-mails. And I'll give you two
21 examples. The Gillette Company basically said, I have
22 all the guys already. They're using my razors every

1 day. Okay?

2 Now, are we getting warmer receptions at other
3 commercial sides now? Mostly in consumables, which is
4 kind of an interesting thing. So if you think about
5 the beverage market, we're starting to get a lot of
6 interest there.

7 We had approached Home Depot very aggressively
8 and had a No. 3 top slot visit. John and I went there,
9 what, two years, John. And we were really referred
10 into their home installer market because they wanted to
11 keep their associates in their particular stores very,
12 very involved, and didn't want to do a major grant.
13 And Nardelli, I think, had just given a million-dollar
14 grant to -- was it VFW? Yes, VFW, about three weeks
15 before we showed up. So it's a very difficult thing in
16 retail package.

17 Where we're really concentrating our efforts
18 now are in high net worth individuals who have been
19 successful veteran entrepreneurs and/or in corporate
20 environments, who may or may not have their own private
21 foundations. We were very successful on -- it's either
22 going to be March 15th or the 22nd, right at the end of

1 Palm Beach season -- we are going to hold an event in
2 Palm Beach. And all of those people will be high net
3 worth I'd folks.

4 And so do I have hopes? Yes, I have hopes.

5 Now, will that be \$5 or \$5 million? I don't know.

6 What I'm really looking at now is how models who use
7 basically a subscription advertising package -- and
8 there are a lot of those around there; if you think
9 about the social networking kind of sites, where
10 they're looking for a direct tie to that social
11 networking side to go to their product launch on their
12 side. We're looking at that.

13 It clearly has to be better funded. It's
14 very, very, very, very, very, very, very, very hard to
15 do this one \$1,400,000.

16 MR. DeMOLET: And have legacy donators to TVC
17 been reviewed and looked at as well?

18 MR. BLACKWELL: Yes. And, you know, the sad
19 part about that -- and Bill knows better than I because
20 he was here from the beginning -- but frankly, that was
21 all smoke, mirrors, guns, and there was nothing there.
22 It was an empty shell.

1 MR. DeMOLET: Thank you.

2 MR. BLACKWELL: It went off. Just nothing
3 there.

4 MR. DeMOLET: Thank you.

5 MR. BLACKWELL: Yes, Paul?

6 MR. ADAMS: Would it be possible -- you
7 mentioned the number of grants that came in and a
8 shortage of funding. Would it be possible to give to
9 the committee a list of what people were asking for and
10 where your funding came up short? Because as you know,
11 we do an annual report and we point these things out.
12 And we may be able to include that sort of information
13 in the report.

14 MR. BLACKWELL: Sure. Yes. That's not a
15 problem. In fact, we've already categorized it by the
16 area of interest, what specific section they support,
17 how they support it, when they give the detail out, how
18 they actually distribute what they do.

19 All of them have been vetted through the 990
20 process. And so they're all available.

21 MR. ADAMS: Another follow-up question, if I
22 could, on that. The strategic planning and the timing,

1 one question is when do you think you work have that?

2 But another question that goes along with that is if

3 you've got the 1.4 million and you're looking for

4 private funding, how are you going to plan for that

5 contingency, I guess, in identifying the priorities?

6 Because, obviously, if you get \$5, you can do

7 \$5. But if you were to raise \$5 million, are you

8 looking at developing a strategic plan with the

9 appropriate contingencies on how that would happen so

10 there's not a lag time between the donation and going

11 out to the community?

12 MR. BLACKWELL: Great question, and let me

13 give you the good answer. We had originally approached

14 Congress for \$3.7 million. So I think to say \$5

15 million would be a little enthusiastic. But I have a

16 plan for 3.7 that's easily adapted.

17 The way that the granting process has been

18 done is in tiers. So the people we can fund can go in

19 that first tier, and then as monies come in, we can

20 subsequently take the people that have been vetted and

21 then put them into the granting process.

22 So it's not really a question of do you change

1 the strategic plan. The strategic plan is really three
2 categories, you know. And that granting piece is a
3 huge piece which has a mechanism, a process, that can
4 easily be expanded or contracted on.

5 So it's a pretty simple strategy that allows
6 you, if you have \$5 or \$500 million, to expand or
7 contract as necessary.

8 MR. ADAMS: And I guess where I'm maybe
9 slightly confused is if you have -- if there's a
10 \$2.5 million strategic plan, but it needs to change
11 because of the difference, it sounds like it's more
12 complicated than what you just said.

13 MR. BLACKWELL: Parts 2 and 3 are. The first
14 part, in granting, is a mechanical process of you start
15 here, you review here, you approve here, and you give
16 money out here. And then you review the process. And
17 that's a very mechanical piece. But on the other side
18 of programs and products, it's much more difficult
19 because it affects what we can actually get done with
20 the remainder of the dollars.

21 MR. ELMORE: And just a point of info. I
22 think it was about two years ago -- I'd have to go back

1 and look explicitly -- when we recompeted our vet
2 business outreach centers. We also received in excess
3 of 30 applications. And the range of funding available
4 was 50- to 150,000.

5 So I don't remember if we went back and added
6 what it all would have been, but it sounds pretty
7 similar to the same kind of response you got. I'm not
8 surprised by that. In fact, I'm surprised perhaps that
9 you didn't get more.

10 MR. BLACKWELL: Well, you have to understand
11 that there were very stringent pieces on this. Each
12 one of these grant applicants has to have a current 990
13 on file with the IRS. From our perspective, that's the
14 bottom line. If they don't have that 990, they're not
15 a legitimate organization and it would be wrong for us
16 to give them money, period.

17 So that cuts out a lot of folks that are just
18 saying, you know, I've got this great idea and I want
19 to go do something. There are also folks that are
20 asking for startup capital to go do something. And by
21 that nature, they sort of go into a second pot/third
22 pot/fourth pot because that's not the intent of the

1 granting process. The intent of the granting process
2 is to put people who are doing work into a capability
3 of launching a program or an activity that directly,
4 immediately benefits veteran entrepreneurship.

5 Yes, Tom?

6 MR. BEDNARCZYK: Tom Bednarczyk. I'm not sure
7 I'm going to ask this question the right way. But
8 maybe I'll get lucky. You represent the veteran
9 community from your mission and your objectives. And
10 if I read you right, it started off with a \$3.5 million
11 goal, whittled that down to 2.5 with the request, and
12 came up with roughly 1.5.

13 We through Bill are another group that reaches
14 out to try to grab a few bucks. And it's really Bill's
15 group and we're a recipient of that. So out of my
16 small world, I see those two entities going up the Hill
17 to ask for money. And between the two of you guys,
18 it's not a heck of a lot of money that everybody's
19 asking for.

20 Has anybody -- and I'm curious, and my
21 question is going to go this way: Congress holds the
22 purse strings. How many of you, Bill on the public

1 side and yourself as the private side, go -- how many
2 of you are asking Congress for veteran funds to reach
3 out to the veteran community, besides the two of you?
4 Because so far, I look at -- from my little world in
5 Connecticut, I read there's a \$590 billion budget or
6 something, and I know that he's getting -- are you up
7 to 2.1 now or --

8 MR. JENKINS: No. I'm still below one
9 million.

10 MR. BLACKWELL: All right. So he's below one
11 million. You're at 1.5. So out of a gazillion billion
12 dollars that are coming out of the State of Connecticut
13 funding, the taxes, we've got between the two of you
14 guys at roughly a couple million dollars, or a little
15 bit more, being funded by Congress.

16 Is there anybody else that is doing anything
17 for veterans that Congress is actually allocating funds
18 to?

19 MR. ELMORE: Not specifically, because I don't
20 think the VACBE is a line item. They're sort of living
21 off administrative overhead over at VA. So I think
22 Vets Corp. and SBA are it.

1 Now, there is -- you know, as you --

2 MR. BEDNARCZYK: Can I ask another question?

3 Because I don't want to chew up the time. But now I'm
4 going to ask -- let's switch over to another community,
5 Native Americans or women-owned businesses. Has
6 anybody explored what Congress is providing in terms of
7 funds for those type operations?

8 MR. BLACKWELL: Sure. I think we've been very
9 diligent on that side.

10 MR. BEDNARCZYK: Okay. Can you share? I
11 don't know what the answer is.

12 MR. MANCINI: Well, last year was for women-
13 owned business, 112 million.

14 MR. ELMORE: Well, for the centers. For the
15 centers that SBA --

16 MR. MANCINI: Right. For the centers.

17 MR. ELMORE: -- helps fund, I believe it's in
18 the 12- to \$13 million range.

19 MR. MANCINI: And how much for the centers
20 for --

21 MR. ELMORE: And then in addition to that
22 would be the National Women in Business Council right

1 down the hall, which is, I believe, a million dollars.

2 MR. BLACKWELL: It's a little more than that.

3 I think it's a million six.

4 MR. ELMORE: It might be a million and a half.

5 Yes, I'm not really sure.

6 MR. BEDNARCZYK: So we're groveling for
7 2.5 million between the two of you guys, and you're
8 telling me that other groups, socioeconomic groups, are
9 in the hundreds of millions or at least a hundred
10 million as opposed to --

11 MR. GROSS: Well, there's a simple answer to
12 that. And the answer is that you have a lot of
13 different groups up here that advocate, but you don't
14 have unity amongst everybody.

15 MR. BLACKWELL: Amen. Amen. Well said.

16 MR. GROSS: You know, if we don't have unity,
17 we're going to -- every year it's going to be the same
18 thing. And to me it's amazing that a lot of the VSOs
19 and everything can't get together on an issue. And I
20 understand why they don't, but if they just picked one
21 issue, got all the advocates together, and
22 demonstrated, hey, we do have this many veterans, we do

1 have this many members, and we do have clout, we'd get
2 an awful lot more. But I think until we --

3 MR. BEDNARCZYK: Galvanize.

4 MR. GROSS: Galvanize and sort of come
5 together on an issue, hey, everybody has an agenda --

6 MR. BLACKWELL: Well, then let me follow --

7 MR. GROSS: -- but just pick a common issue
8 that we all work for anyway. And that's the Legion.
9 That's the VFW. That's all the VSOs. Bill's group.
10 TVC. I think if we rallied jointly, we put our agendas
11 aside just for one issue, I think Bill's group would be
12 funded more. I think TVC would be funded more. I
13 think the community as a whole would understand the
14 value that the VSOs have and what they do behind the
15 scenes.

16 But I think until that happens -- you know,
17 the veteran community hasn't figured out how to rally.

18 MR. BEDNARCZYK: That's a good answer.

19 MR. GROSS: The women groups, I give them
20 credit, frankly, because they get it. They
21 understand --

22 MR. JENKINS: Isn't that in part about

1 strategy?

2 MR. GROSS: Well, that's where I'd like to
3 follow, frankly, because --

4 MR. BLACKWELL: I think that's where you're
5 going.

6 MR. BEDNARCZYK: That's right. I'm trying to
7 get down that a strategy has many different ways to go.
8 One is, obviously, we're short-funded. We need money.
9 So a strategy is to go after the bucks, and go after it
10 through donations now.

11 But what I am going to ask is because you're
12 asking us of a strategy, and I think that's a very fair
13 question, but we come at this -- I see our mission
14 coming at it from a totally different direction.

15 But in your strategy plan, what we're talking
16 about, if it is the unification of the veteran
17 community to fight a cause, is that part of the
18 strategy that you're working on?

19 MR. BLACKWELL: Not at the moment. Let me
20 give you a backup because I think Mark makes a really
21 good point. And I've been saying this a lot. What is
22 the one word that you could identify quickly that made

1 the women's movement in business really work?

2 Anything?

3 MR. ELMORE: Unity.

4 MR. BLACKWELL: Really, opportunity. Isn't
5 that a better way to say it? You know, short, tall,
6 skinny, fat, whatever sector you want to talk about,
7 they wanted the opportunity to be there and compete in
8 what they saw as a glass ceiling environment.

9 If you take the ANCs, it's the same deal. It
10 was opportunity. But we have this one word within the
11 veteran community that's destroying us. It's called
12 entitlement. Okay? And until we can get our head
13 around how we can -- exactly what Mark and Bill and I
14 have been saying all along, is that there is this one
15 huge chunk that stands in front of it and everybody
16 trips on it, and that's entitlement.

17 I'm entitled to this. I'm entitled to that.
18 And within our own community, there are now new
19 organizations springing up that say, wait a minute.
20 Maybe that whole 3 percent thing was wrong. Maybe it
21 ought to be every veteran. Okay? Maybe, like the
22 women's movement would be all women, it ought to be all

1 ANCs. It ought to be all 8(a). Okay?

2 So you're going to really have to get your
3 head around in this committee, the same way we have to
4 get our head around, to say, who are these people?
5 What are they really doing? Is 106-50 really so
6 relevant?

7 Created in a time of peace, in a time of high
8 net worth and dotcoms. And now we're looking at
9 tremendously difficult economic base struggles. Dow
10 was down another 200-plus points yesterday. We've got
11 people serving all over the world in greater and
12 greater numbers with who knows when coming home,
13 creating many, many more veterans.

14 Where's the need? How can we mobilize it
15 quickly? What's it going to cost? Nobody's doing that
16 piece of work. Okay? And then how do you deliver that
17 effectively? Do you have time to sit down and say,
18 hey, Bill, I want to tell you about my latest and
19 greatest thing. I don't think so.

20 So there has to be -- along with unity, Mark,
21 there has to be a plan that I think you as a committee
22 and TVC as a group have to say, we're going to directly

1 pursue a mobilization of unity -- I don't care what it

2 is -- opportunity -- I don't care what word you use.

3 But the platitudes that are being all over the Hill, if

4 I were the Hill, I wouldn't listen to us, either.

5 Okay?

6 MR. VARGAS: Let me jump in here.

7 MR. CELLI: No. Bill Dozier wanted to make a

8 comment some time ago. I wanted to at least let him --

9 MR. VARGAS: No. Let's not allow other folks

10 to talk and not the membership here. Members. Okay?

11 Excuse me, Bill, but I think as a member I have a

12 little higher rank here.

13 MR. DOZIER: No. Go.

14 MR. VARGAS: I want to go back to what Mark

15 said, and that is this whole question of why we're here

16 at this particular point, and say that this is

17 something that's been troubling me. And frankly, Tom,

18 I think you raised yourself knowing what the answer

19 was.

20 MR. BEDNARCZYK: You give me too much credit.

21 MR. VARGAS: And that is the disparity in

22 approach and different agendas that we have inside the

1 Beltway here, which has caused us to not get the
2 funding for all veterans.

3 Now, I think, frankly, that the solution lies
4 in private fundraising because then we'd get away from
5 this mayhem, this stabbing in the back, and working in
6 small circles, concentric circles, here in Washington.
7 And I hope, Walt, that you're successful through the
8 private funding because that will solve a lot of
9 problems.

10 But in the meantime, we have a responsibility.
11 This committee has a responsibility. And that is to
12 work collegially with organizations like Joe Wynn, like
13 Walt Blackwell, the Legion, the other organizations in
14 this town, to look at a common agenda that attracts
15 funding to the extent we can from the government to
16 support these great programs.

17 I would like to see, and I know you would like
18 to see, all 30 of these applicants supported. And let
19 me say that it ought to be more than 30. It ought to
20 be a heck of a lot more. I've just been involved with
21 some statewide issues in the state of Washington.
22 They're hungry out there. The problem of veterans is

1 dramatic. And to its credit, Washington State has a
2 solid, united veteran front. It's called the Coalition
3 for Veterans. And they're going to get what they want.

4 But I'd like to see -- I hope that we all do
5 here at the national level -- a common approach to this
6 dilemma that we have. And I would hope that whether we
7 have one strategic plan on your part and a strategic
8 plan on our part, or whether we have a common approach,
9 that we can agree on one thing, and that is that we're
10 not going to fight each other in the trenches when it
11 comes to funding for veterans programs.

12 That's my bit. Sorry.

13 MR. CELLI: Bill?

14 MR. DOZIER: That was one of the messages I
15 was going to deliver. Bill Dozier, VFW. That's the
16 message I wanted to deliver. The organizations have
17 now united for funding. All our guidance comes from
18 our membership, from the groundswell up. That
19 groundswell we have not been receiving from our own
20 membership that are business owners.

21 Finally we're starting to get a swell. The
22 American Legion, BBA, VFA, AmVets, we're all working

1 now together because we're starting to get involved and
2 we're starting to see the younger veteran asking
3 questions, contacting us, wanting information. How do
4 we start our own businesses?

5 So we are getting involved. We have Vet
6 Force, which is also all the VSOs and small businessmen
7 working together trying to work on these objectives.
8 The whole opportunity that we have right now with the
9 word just "veteran" alone, it opens doors to Congress,
10 both House and Senate.

11 We're working on -- I don't know how many
12 bills, Joe, we've got on the Hill now that we're really
13 pushing through. It does work when we work together.
14 But it's got to be not piecemeal. It cannot be
15 splintered. It's got to be a joint activity.

16 So if we're going to support Vet Corps -- I
17 mean, Vet Corp. -- and his programs here at SBA,
18 there's other programs that -- his program, which I
19 think has done an excellent job, and I haven't talked
20 to him yet about his funding. But I've talked to the
21 others.

22 They're hurting. They're hurting bad.

1 They're talking about eliminating programs, and we're
2 talking about increasing programs. And there again,
3 you can't do that without dollars.

4 So you look at the funding that you were
5 talking about. It's going out. We can all get
6 together and get a funding, a lump sum, just like we
7 did for VA. We have an independent budget. A VSO has
8 an independent budget that we submit to Congress.

9 We just got -- what was it -- 16 billion added
10 onto the budget through our efforts with Congress. I
11 mean, the efforts are there. The money is there. We
12 have a full headfirst plow for veterans. But we've got
13 to come together and say what is the proper program.

14 Why should he be duplicating the same thing
15 that he's doing? Why are the women's programs sitting
16 back there with all these faces, and why can't they
17 handle other opportunities? So we've got to bring the
18 whole thing of entrepreneurship together as one ball.
19 If not, we're all splintered off and it's not going to
20 work.

21 MR. BLACKWELL: And I would add to that, Bill,
22 that I think there are groups that do certain things

1 better. No one group can do this whole mission. It's
2 too broad. There's too many industries involved.
3 There are too many service sectors involved. And there
4 has to be some kind of unification where we're not
5 eating our own children.

6 Yes, Mark?

7 MR. GROSS: Well, no offense, but there's also
8 too much bureaucracy involved.

9 MR. BLACKWELL: Amen. Yes.

10 MR. GROSS: I mean, that's just what it is.

11 MR. ELMORE: This is kind of a point, and
12 maybe my timing was bad, that I tried to make to the
13 committee last year, and that is that nobody's framed
14 the opportunity and the options that's here. You guys
15 have your plan that's sort of concentric to VC. SBA's
16 got its plans that's concentric to the administration.
17 Not the plan I write. The VA's got its approach and
18 the efforts that they make primarily focused inside VA,
19 but not entirely.

20 VSOs are doing some work, and I'm grateful for
21 that. There's a lot of legislation gets floated
22 around, and I'm at a point where whatever I get is what

1 I get. But nobody's put that overall, here's sort of
2 the state of where this arena is. Advocacy is putting
3 out great data for us that we didn't have five years
4 ago.

5 MR. BLACKWELL: That's true.

6 MR. ELMORE: We can make the case arguably
7 that this is more than an entitlement, that this is an
8 opportunity. This is a real option in the world of
9 enabling veterans to achieve their own economic success
10 during and after service, especially with Reservists.
11 Nobody is making that case clearly.

12 MR. BLACKWELL: Well, I think that "clearly"
13 is the operative word. Clearly. Because they are
14 making the case, Bill, and one of the things that we've
15 stressed on all of our educational visits to Congress
16 is simply this: All those other organizations that are
17 agency-based and/or VSO-based, we are looking at
18 where's the adder? Where's the multiplier with TVC?

19 And the answer is, as a 501(c)(3) I can do
20 things that you can't, won't, or shouldn't do. I can
21 add an access to capital program that's on top of
22 what's available, and in some cases, better than even

1 the Patriot loan pieces. I can also come in behind
2 where Patriot says no and say yes. And we have done
3 that at least two or three times this past year.

4 But on a more important basis, if you look at
5 those charts that Joe just showed us and the huge
6 number of people construction, we're your bonding
7 solution. Okay? You can study this all you want. I
8 can get \$30 million added to SBA's line. But we're
9 still the bonding independent solution.

10 There are a lot of other things that should be
11 coming onto our skirts that we can be enablers of. And
12 frankly, we're not seen that way. We're seen as a
13 1990s approach to 2020 issues.

14 And you're right, it has to be more unified.
15 We can't go up and testify against each other. We
16 can't go throw rocks at each other's houses. We've got
17 to be unified. But it takes things like this. It
18 takes things like joint sponsored opportunities around
19 the country. It takes things where Congress, and
20 specifically the Senate, can see the whole picture, not
21 just a picture, and make some decisions that they're
22 going to really regret over long times.

1 MR. CELLI: If I may -- I'm sorry.

2 MR. ADAMS: I'd just like to respond to what
3 Felix is saying about private funding. I completely
4 disagree. I don't think veterans should be beggars
5 that have to go out into the community and beg for
6 dollars.

7 If you're going to have programs that are
8 going to be set-asides, and you're going to fund
9 programs for women's groups and any other group, then
10 you should have the same funding coming into the
11 veterans group as a minimum.

12 And I don't think that we should have to go in
13 and look and say, especially if you're talking about
14 certain levels of service-disabled veterans and
15 severely disabled vets, that the only way that they're
16 going to make it out in the world is through the
17 charity of somebody else.

18 I look at it that if the government is going
19 to fund groups, they ought to fund all the groups on
20 some kind of an equal basis or they should do away with
21 all of that funding.

22 But they shouldn't come in and say what I

1 think they are saying: We're going to pay lip service
2 to veterans, but we're going to treat them in the
3 budget world as second-class citizens. And what we
4 really want to do is foment the disunity amongst all
5 the different groups.

6 Because we can -- they know how to play the
7 game. They know how to go and pull this one up and
8 that one up and someone else up and manipulate and
9 create the controversy. And then they can step back
10 and they can wash their hands and say, we really want
11 to help veterans. We love it. We support our troops.
12 But they don't seem to know what they want. And if
13 they could ever tell us what they wanted, we'd be more
14 than happy to do to it.

15 They manipulate that. And we learned this
16 when you go in and you talk to staffers. You go in to
17 talk to some of the legislative staffers that are
18 dealing with military issues, and the first thing you
19 have to do is spell the word veteran for them.

20 They've never served. They don't know what it
21 is that you're talking about. They don't know about
22 the service-disabled vet. They don't know about

1 106-50. They don't know about any of this stuff. And
2 they're the ones that are advising members of Congress
3 about military and veterans issues.

4 So we have a problem, and I agree we need to
5 come together to go into it. But I don't think what we
6 ought to do is step back and say, well, we're going to
7 turn everybody into beggars, and we're going to have to
8 go out and we're going to have to beg for people to
9 take care of us.

10 We need, I think, to come together and say, do
11 we march on Washington and say, damn it, if you're
12 going to fund other groups, you're going to fund us on
13 the same kind of level with the same kind of numbers.
14 The numbers that advocacy is coming up are absolutely
15 meaningless if we don't use them.

16 And if you look at the numbers on women
17 business and you look at the other numbers, and then
18 you start looking at proportional dollars that come out
19 of Congress, I think that's what we should be focusing
20 on and saying, when you look at this and you take what
21 you are appropriating into these other groups, why
22 can't you do the same proportion for veterans? We're

1 not talking about -- is it an entitlement for women?

2 No, it's not an entitlement. It's a problem.

3 Everybody else, it's a program. Only when you get into
4 the veterans is it an entitlement.

5 Nobody wants to educate the veterans and make
6 sure that they're not walking in saying, I'm entitled
7 to a contract. And we try to tell them, you're not
8 entitled to a contract. You're entitled to be in a
9 program for veterans, just like women are in a program
10 for women, like blacks are in a program for blacks, and
11 everything else.

12 But we should not be beggars. We should not
13 have to go out and do private fundraising simply
14 because Congress isn't doing their job. We may have to
15 do that as the interim, but we should rub their nose in
16 it every chance we get.

17 MR. JENKINS: I'd like to make a comment. I'd
18 like to make a comment. Joe Jenkins here. You know,
19 when I first took this position last year, the first
20 thing out of my mouth was that you've all been
21 conditioned to do one thing, and that was, when that
22 drill sergeant said, "Forward march," everybody started

1 off with their left foot. They taught us unity.

2 Now, we are a unique group. He says a march

3 on Washington. Now, Farrakhan can do a Million Man

4 March. How come we can't do something like that?

5 Every time I go into a procurement office and I talk to

6 some young folks, they don't know who in the heck we

7 are. So I have to start the process of educating. It

8 sets me further back when it comes to helping the

9 veteran community.

10 I'm glad to hear this conversation. I was

11 thinking about retiring. But with this conversation,

12 I'd like to stay if we really move forward because we

13 have to stop stabbing each other in the back. If we're

14 going to fight in here today, then we'd better get out

15 on the street and do business tomorrow.

16 MR. VARGAS: Well, Billy, those are good

17 points. But we do need a Farrakhan within the veterans

18 community group to take us forward.

19 But I wanted to respond to Paul. I don't

20 think that I was suggesting that veterans be beggars.

21 I'm saying at the rate we're going here, we'll do

22 better probably on the private sector side than if we

1 wait until it's mayhem, sorts itself out, and get no
2 funding.

3 So in the meantime, while we try to get our
4 act together in Washington, D.C., it is a very
5 necessary thing to go out and try to get something from
6 the private sector because I assure you we're not going
7 to be facing the same kind of dilemmas, nor the
8 conflicted political agendas that we have.

9 We don't beg before the private sector. We
10 don't beg before the public sector. We have earned our
11 legitimate right to expect a support from an American
12 community that's sent our veterans off to war.

13 There were three commitments that were made
14 for the veterans when they went off: One, that they
15 would have a fair chance at the American dream;
16 secondly, that they would get all the medical care that
17 they describe; and thirdly, their disability benefits
18 from day one after they left active duty.

19 Those three commitments are not being met to
20 the veteran, and we need to get the support to them.
21 And whether it's public or private, fine. But you're
22 talking about an idea world where, if we did this, then

1 we would get all the support. Gentlemen, we don't live
2 in an ideal world.

3 MR. CELLI: Let me just educate the committee
4 on one thing with regard to nonprofit organizations and
5 fundraising. There are a lot of dollars out there
6 being given to nonprofit organizations by philanthropic
7 entities that are primarily dedicated to children,
8 education, and poor health. Okay? Let's just keep
9 that there for a minute.

10 When you are successful -- and I had this
11 conversation with Joe Sharpe this morning -- when you
12 are successful in getting philanthropic dollars, it's
13 almost like a contract. You then have to -- you have
14 to ask for those dollars for a specific reason. You
15 can't just say, listen. We're vets, and we want to
16 help other veterans. Can you go ahead and give us
17 \$2 million, and then we'll just figure out what to do
18 with it after you give us the money. It doesn't work
19 that way.

20 You put together a proposal and you say, we
21 would like to take 300 veterans from Walter Reed, all
22 missing limbs, and teach them how to start and grow

1 their own businesses. So when that money does come in,
2 that money is already predetermined and dedicated as to
3 what you're going to do with it.

4 So it's a lot more complicated with regard to
5 fundraising when it comes to looking at grants.
6 Fundraisers are a different story. And there are other
7 solutions. But people commonly think of going to IBM
8 or going to BAE or going to one of these large
9 organizations and saying, why can't you give us 500,000
10 to help get the vets in business that you helped put
11 out of commission with your artillery or whatever the
12 case may be. There is some truth to that, but it's a
13 little bit more complicated than what it sounds like
14 today.

15 MR. BEDNARCZYK: I would just like to -- I
16 started this, so I would like to just stick in two
17 cents to bring this to maybe some kind of closure.

18 Because I don't think we could take this
19 discussion today from the 100,000-foot level to the
20 5,000-foot level because what I've heard so far, just
21 teeing up my question and working this way through, is
22 who is going to be the champion? That is really what

1 the issue is. It is the VSO community? Is it the TVC?
2 Is it the veterans advocacy group?

3 But my experience in life tells me that
4 without a champion, everybody is going to walk away
5 from this meeting saying, man, yes, we labeled it
6 opportunity versus entitlement. And entitlement is the
7 enemy. Opportunity is the blessing.

8 MR. MANCINI: The web is broken. There is no
9 connecting tissue amongst everyone. It's broken.

10 MR. BEDNARCZYK: Okay. But Frank, I'm
11 agreeing with you because what we have here is we have
12 somebody from the VSO. We have somebody from the VSO.
13 Now we got one, two, three -- we've got you and we've
14 got us.

15 MR. MANCINI: I think we must be following
16 certain things, like what we talked about at the last
17 meeting.

18 MR. GROSS: I think we created a partnership.
19 I'm sorry. Mark Gross. I think what you do is you
20 create a partnership because obviously, everybody's
21 agenda, they want to take credit for what they're
22 trying to do. And I mean, that's just human nature.

1 I think you create a partnership for one
2 issue. Our charter here is advising in veteran
3 business issues. That's it. So I think you create a
4 partnership with the VSOs, with the SBA, with TVC, with
5 whoever else you want to put on it. But our only
6 agenda -- and we don't play in each other's back yards.
7 Our only agenda is we rally for one issue. And that's
8 to --

9 MR. MADIGAN: I'm John Madigan. I'm the vice
10 president for government relations for the Veterans
11 Corporation. I start my fifth year with TVC next
12 May 11th. I need to correct some incorrect views of
13 what's going on.

14 Mark hit the nail on the head. Jim Mingey
15 testified last April. We requested \$3.7 million. I
16 got a call that night at home from the staff person
17 saying they really understood what was going on. They
18 couldn't give us 3.7 this year. But if we did our job,
19 they'd give us 3.7 million in '09.

20 We presented a \$26 million five-year plan.
21 All of the LAs that I meet on the Hill, and I've done
22 it for two years now, those that don't know about

1 veterans for the most part want to know about veterans.

2 And those that do know about veterans want to help

3 veterans.

4 So I won't blame the Congress right now. We
5 were on the road to getting \$2.5 million until -- and
6 again, just we're all having a frank conversation -- so
7 some people around this table got to the Senate side,
8 and they asked the Senate to zero us out.

9 So we have no one to blame but ourselves. And
10 Mark hit the nail on the head. Until this group gets
11 together -- I lobbied for ten years for the tobacco
12 control movement. I thought that was conflicted. That
13 was Rebecca of Sunnybrook Farm.

14 MR. GROSS: Well, and you know, I think most
15 of us would agree here as business owners, I mean, if I
16 can't be effective at all on this committee, I don't
17 want to be on it.

18 MR. MANCINI: Congress is confused. They're
19 upset. They don't know what's going on. They want
20 this group to get our act together and come in with
21 some cogent views and say what's going on. That's what
22 we need to do.

1 MR. VARGAS: I'm confused. Right now I'm
2 totally confused. That's why I have a question and an
3 answer that I'd like to close. I've been trying to do
4 that for like 20 minutes. But I think Joe's ready. I
5 would like to do that.

6 MR. WYNN: I'd appreciate that. I've been
7 trying to be patient and raise my hand.

8 MR. CELLI: Could you step up to the
9 microphone here and identify yourself?

10 MR. WYNN: Like I'm not getting recognized.
11 I'll just come on up to the front and say hello to
12 everybody. I'm Joe Wynn, representing the Vet Force,
13 Veterans Entrepreneurship Task Force. I'm also a
14 member of the National Association for Black Veterans,
15 and work closely with the Vietnam Veterans of America.
16 I think most of you know that.

17 A couple things that are being said I just
18 want to chime in on what the dialogue is about because
19 I've been very involved in this whole issue from the
20 beginning, since 1999. Mark hit on a good point, that
21 perhaps there's not enough unity among the VSOs. I
22 disagree with that to a great extent because we

1 actually meet with most of the VSOs on a regular
2 monthly basis. And so we are constantly dialoguing and
3 working together in our role of advocacy and outreach
4 to get the word out to the veterans in the community
5 about these programs and what's available to them.

6 Where we are today, we can't completely
7 overlook the history of how we evolved to this point of
8 some disunity. And there is some disunity between the
9 programs that are existing today. We got the Office of
10 Veterans Business Development. It has some business
11 outreach centers. We got TVC, and it has previously
12 funded some veteran resource centers. It's conducting
13 activities. SBA provides some resources. And then we
14 have other nonprofit providers. I even participate in
15 providing services as well.

16 But we are not coming together collectively to
17 discuss -- and you mentioned about a strategic plan
18 going forward. TVC continues to seemingly, seemingly,
19 be developing strategic plans in and among its own
20 direction as opposed to including all of the veterans
21 community, particularly those that have been advocating
22 very strongly for more programs and especially more

1 funding.

2 Most of us who are here in the D.C. area,
3 veterans service representatives, we're the ones who
4 are beating the pavement constantly trying to get more
5 money for our veterans. So we're not opposed to any
6 program that you're doing that's going to help
7 veterans, nor am I opposed to a government SBA program.

8 But if those programs are not being
9 accountable to the veterans who are actually here
10 intended to be served, then yes, we got questions. We
11 want to know why we're giving funding to an
12 organization or an activity that is not being directly
13 responsive to those that they are supposed to serve.

14 MR. GROSS: Okay. Joe, and I don't want to
15 interrupt here, but --

16 MR. WYNN: So we can resolve that -- let me
17 just say we can resolve that by -- and I hate to point
18 to the monthly meetings of the Vet Force, but we have
19 met regularly for over seven years talking about how to
20 improve service delivery to our veterans on the federal
21 sector, commercial sector, and how to get more
22 resources.

1 Why can't we be inclusive of these two
2 programs that are here today, TVC and Office of
3 Veterans Business Development, in a discussion like
4 that with the VSOs involved so that we work together as
5 one unit?

6 MR. GROSS: I think that's what's needed. I
7 mean, I think you make a good point, though, too. I
8 mean, I think the Vietnam Veterans of America -- what
9 other organization?

10 MR. WYNN: National Association for Black
11 Veterans.

12 MR. GROSS: Okay. You look at the 8(a)
13 programs and that, and they're a strong lobby. Do they
14 have any of that division within their ranks?

15 MR. WYNN: No.

16 MR. GROSS: They don't? Okay. I mean no
17 disrespect to any organization, but the Vietnam
18 veterans organization is a shrinking organization just
19 based on age and that sort of thing. The common thread
20 that we have with all those organizations is just
21 veterans.

22 MR. CELLI: But they also happen to be the

1 strongest organization.

2 MR. WYNN: And they're the largest -- right.

3 You're the largest population, the Vietnam veterans.

4 And as the statistics that Joe Sobota gave us today,

5 veterans business owners, the majority of them are

6 Vietnam-era vets.

7 MR. ADAMS: Stop. Stop. Everybody hold on.

8 We can't record anything when everybody's talking.

9 MR. WYNN: Well, let me just conclude and I'll
10 step aside. I just want to say that, again, I think we
11 all realize that services are needed. It's a shame
12 that this government is underfunding veterans services,
13 not only with this entrepreneurship initiative, but in
14 all of our veterans programs is underfunded.

15 We just here recently got an increase in the
16 budget for health care, and we have yet to see how
17 that's going to be played out. But most of the
18 veterans programs have been underfunded for years.

19 With this entrepreneurship initiative, I
20 really believe we can get more. When we talk to people
21 on the Hill, as some of you have mentioned, we have to
22 educate them to what's happening with veterans

1 interested in business. They are more receptive now.

2 But at the same time, there has been some difference of
3 opinion about the operation of these two programs.

4 We're getting very little statistical data back from
5 the SBA's program.

6 MR. GROSS: I think they issued some --

7 MR. WYNN: We get good reports from Walt when
8 he talks about his program. But at the same time,
9 there's still a lot of folks, because of the historical
10 evolution of TVC, still don't see enough input and
11 direct relationship with the veterans that they are
12 intended to serve.

13 I think there's been a lot of improvement
14 made. I mean, I'm supportive of both programs,
15 personally. I'll just say that, put that on the
16 record. But there needs to be more working together to
17 make sure that strategic plan includes us all. You
18 can't just have your strategic plan and he has his, and
19 then expect us to work with you both if there's some
20 conflict or gaps. Let's close the gaps and go forward.

21 MR. ADAMS: Can I just make one comment?

22 Thank you. I've wanted to make this comment to Felix.

1 I agree that in the interim, we need to do private
2 fundraising. But we can't have that be the solution.
3 That has to be our interim solution while we work to
4 get the funding.

5 What I would say, too, and I made a note here
6 that we will explore, is in looking at -- one of the
7 things the committee does is have these meetings, put
8 information on the record which we can then use to
9 develop the report to Congress.

10 So the value of this committee in this whole
11 scheme of things is being an entity that puts together
12 a report that takes the information that's gathered up
13 by all the VSOs and everybody else and puts it forward
14 to Congress as a consolidated report on behalf of the
15 veteran community.

16 And I think one of the things that we need to
17 do is made sure -- we've already got the TVC on the
18 agenda -- is perhaps we need to have a portion of the
19 agenda where we have the VSOs come in. And then when
20 we get to the point of writing a report, then we have
21 that as a somewhat collaborative effort where we are
22 identifying, these are the issues within the veterans

1 community that we can agree on, that we can present a
2 united report to Congress and the President, which if
3 we did that this year, if we assembled the evidence and
4 we were able to give that kind of a report, we would be
5 able to do much, much more with what we end up writing
6 in the committee than we have in the past.

7 MR. BLACKWELL: I want to just close on Paul's
8 thing. We are saying very strongly to Congress that we
9 see them as a long-term strategic partner in funding.
10 We're being very clear in all of our messages. Because
11 the one thing private sector doesn't want to hear is,
12 what do you mean the government isn't taking care of
13 veterans? That's the first thing they want to say.
14 What's the government's role in this organization, in
15 that organization, or wherever they're working from.

16 So I think the government is a long-term
17 strategic partnership, to kind of close on the
18 discussion you and Felix were having.

19 MR. CELLI: We need to wrap this up, and I
20 need to make an announcement real quick.

21 MR. MINGEY: Does the committee -- are they
22 interested in what they brought me down here to talk

1 about today?

2 MR. CELLI: Hold on just one second. I'm
3 sorry. Hold on. I need to make an announcement. The
4 announcement is that this room was double-booked for
5 the afternoon. The administrator has a management
6 meeting in here at 1:30. They wanted us out of here
7 15 minutes ago. We've agreed to be out of here at
8 12:45. So we've got a few more minutes.

9 And I want to close off the TVC piece, and I
10 apologize on behalf of the committee, Mr. Mingey, that
11 you didn't get to deliver your presentation.

12 MR. MINGEY: It's your loss. I'm from a
13 veteran-owned business that's been helping veterans
14 over the last year, you guys can sit around here and
15 argue about how to do it. I do it.

16 If you'd like to know how to do it, I'll
17 send you some information. I have a proposal on
18 Mr. Elmore's desk to expand our help desk activities.
19 We're doing a \$50 million proposal to the Treasury to
20 develop new markets credits loans, leveraged with
21 Patriot Express that we're working with SBA to do that
22 will provide both more dollars and expand the Patriot

1 Express program, and more importantly, create technical
2 assistance. And in addition to that, we're working on
3 doing a Patriot bond that will help create a secondary
4 market for this.

5 If anyone on the committee would like to
6 explore that further, I'll give them my business card
7 and we can talk about it.

8 MR. CELLI: Well, and we can certainly
9 contract you through TVC. Correct?

10 MR. MINGEY: No. I need -- next quarter --
11 I'm a businessman. I've been working for myself for
12 30 years. I don't get the luxury of going to Congress
13 and saying, well, are you going to fund me this time or
14 that? I'm on my own nickel here doing these programs
15 that are going forward.

16 I'd be happy to make this information
17 available to people if they can use it. Walt has me
18 working with small business development centers, with
19 the veterans outreach centers, and referring people for
20 basically case management studies on veterans
21 businesses. We are increasing this, the volume. It
22 works.

1 It can pay for itself. Communities will pay
2 for this. You were talking about grants before. We
3 raised \$2.7 million to do a veterans incubator in
4 Tennessee this year. It's doable, working together.

5 MR. ELMORE: Is there any time this afternoon
6 that we can get this --

7 MR. CELLI: And we're going to wrap it up.
8 Yes. We're going to talk about that in a minute.

9 And I just want to close because I want to try
10 to tie in all of the discussion that we had during this
11 past hour with regard to veteran unity and TVC. And
12 that is I agree, and I think we all agree, that there
13 needs to be some kind of focal point, some kind of
14 pinnacle, some kind of champion, some kind of
15 organization, agency, person, whatever it is, that is
16 able to stand before God and country and say, I
17 represent all of the folks that represent all of the
18 veterans of the United States of America.

19 I think that that's important. That's what
20 the other organizations have. And I think that that is
21 something that is not in the charter of our committee.
22 If it were, we'd be happy to undertake it. Maybe after

1 lunch we can try to discuss who might be best suited to
2 take on that responsibility; or if the committee feels
3 that they want that responsibility, to put in a request
4 or put it in the end-of-the-year report to say, we'd
5 like to be able to do this. Whatever the case may be,
6 we can work on that later. We can work on that later.

7 MR. BLACKWELL: Mr. Chairman, I have two
8 closing comments that I think are really important for
9 this committee to hear.

10 One is that we presented to OMB, as we do each
11 year, what we have planned, how we plan to do it. They
12 were very polite, as they have been in past years, and
13 we left the room. We did an appeal with all the
14 different administrators and their people on listening
15 to us.

16 The bottom line is, it's viewed by OMB that we
17 are redundant, that SBA and VA are in place. We've
18 stressed that we can do things you can't do, won't do,
19 or shouldn't do. Doesn't matter. It's deaf ears. So
20 we have hurdle No. 1 is to convince there's a
21 uniqueness, a difference, an ability that the
22 government has through an organization that they need

1 to exploit.

2 The second thing I want to punch the ticket on
3 is: Quit delivering the sins of the father on the son.
4 Okay? Stop that. As a veteran community, as people
5 who are interested in veterans, we only have one issue.
6 How do we do it better, quicker, cleaner, and less
7 costly?

8 So I leave you with those two thoughts.
9 You've got to unify. You've got to quit delivering
10 sins on the son. And you've got to come up with a plan
11 that works. We're here. We'll give you our plan.
12 It's not a question of me not wanting to have that
13 plan. You need the right plan. Okay? And you'll have
14 that. That's next week. All right?

15 MR. CELLI: And again, what I'm hearing once
16 again is that if TVC and SBA and all of the veterans
17 organizations and the advocates all had one unified
18 message, then OMB wouldn't be getting the impression
19 that services are being duplicated and that there isn't
20 an additional need for funds to trickle down to the
21 folks who are doing the work within the field.

22 So the last thing is, Scott Denniston actually

1 pointed out a very profound thing to me during one of
2 the hearings. When we were in the Veterans Affairs
3 Committee hearing, I said, why is it we all can't just
4 work together, as we're talking about here? And he
5 said, well, look up at the wall.

6 And behind all of the members of Congress,
7 there had to be 35 flags, and each one of the flags, I
8 mistakenly thought without looking at them, represented
9 the states of the United States. But they don't. They
10 represent all of the different veterans organizations
11 that the committee now represents. So it's not going
12 to be an easy task, but it's not going to be an
13 impossible task.

14 So let's go ahead and take a break. The
15 committee members, if we could just kind of huddle
16 because we've got about 30 minutes before we have to be
17 walking out that door so they can come in and set up
18 for their next meeting. We'll discuss how we want to
19 continue through for the rest of the afternoon.

20 (Whereupon, at 12:18 p.m., the committee was
21 adjourned.)